The Economist
February , 2011



Politics this week

Feb 10th 2011 | from PRINT EDITION



Egypt remained in the throes of political upheaval as large numbers of demonstrators again demanded the departure of President Hosni Mubarak. Strikes spread among doctors, steelworkers and at facilities along the Suez Canal. Omar Suleiman, the vice-president, held the first direct negotiations with protest leaders, among them members of the previously ostracised Muslim Brotherhood. See article

Tunisia's interim president assumed the power to rule by decree, as the interior ministry suspended the former ruling party, the Constitutional Democratic Rally. Its officials will no longer be allowed to meet and its offices are to be closed down. See article

Kuwait's interior minister resigned from the government following revelations about torture in prisons. The Kuwaiti emir accepted the resignation after critics called for political reforms in the wake of demonstrations in Egypt and Tunisia.

The head of the **Sudanese** government, Omar al-Bashir, accepted the result of the secessionist referendum in ten southern provinces that is expected to lead to the formation in July of an independent state, which will probably be called South Sudan. According to the final count, 98.8% of the almost 3.9m registered voters approved the split.

Gross injustice

Cuba charged Alan Gross, whom the United States describes as an aid worker, with plotting against the state, a crime that carries a 20-year prison sentence. Mr Gross was arrested in December 2009 while working for the Cuba Democracy Project, an American government programme aimed at promoting political change. Cuban officials said he was distributing satellite dishes, which are illegal on the island, to Jewish groups.

Haiti's outgoing government issued a diplomatic passport to Jean-Bertrand Aristide, a former president who has lived in exile in South Africa since being ousted seven years ago. His American lawyer said that Mr Aristide, a popular but divisive figure, wants to return home "as soon as he can".

Brazil's new government announced cuts of 50 billion reais ($30 billion) in budgeted spending for 2011, as it seeks to cool an overheated economy. Inflation for January was 0.8%, taking the annual figure to 6%.

An historic dispute



Cambodia's prime minister said that skirmishes with **Thailand** around a disputed site on their border had escalated into "a real war". Both sides engaged in artillery and heavy-machinegun fire. The area under contention is tiny but surrounds an 11th-century Khmer temple complex designated as a World Heritage site. Cambodian troops apparently fortified the temple. See article

A Taliban suicide-bomber attacked an army recruiting camp in Mardan in north-west **Pakistan**, killing and injuring dozens of people.

The UN issued a special alert about the drought afflicting **China** this winter. China's official media called it the worst drought in 60 years. The state media also claimed that Shandong province, the most important centre for wheat, has had its worst season in 200 years. China has been self-sufficient in grains, though demand is huge. If it starts to import wheat, world prices are likely to rocket.

Taiwan said it had arrested one of its generals as a spy for China. General Lo Hsien-che is thought to have been working for the mainland for at least five years. Relations between Taiwan and China have improved under Taiwan's Kuomintang government.

North Korea and **South Korea** sent military delegations to meet in the demilitarised zone, their first such encounter since the North shelled the island of Yeonpyeong in November, killing three civilians. The South's cheek-turning was for naught: the North Korean colonel and his attache stormed out of the meeting, leaving the talks in a state of "collapse"-and perhaps angling for further concessions.

Indonesians were shocked by two attacks against religious minorities. Four members of the Ahmadi sect were beaten to death by a mob of orthodox Muslims in western Java while police stood by, doing little to protect the victims. In central Java, meanwhile, a mob burned down Christian churches.

Centrifugal forces

Two more **moderate Democrats** in Congress decided to call it a day. Jim Webb said he would not seek re-election as senator for Virginia next year, and Jane Harman said she was stepping down from her Los Angeles congressional seat to head a foreign-policy think-tank.

Congressional Republicans aligned to the tea-party movement helped to defeat a measure in the House that would extend provisions in the Patriot Act related to **government surveillance** and access to library records. The measure will be voted on again soon.

Florida's governor unveiled a budget that proposes spending cuts of $4.6 billion in programmes such as Medicaid, but also lowers property and corporate taxes by $4 billion.

The mask starts to slip



Prosecutors in **Italy** asked a judge to put Silvio Berlusconi on a fast track to a trial on charges of paying for sex with an underage prostitute and abusing his office to cover it up. Mr Berlusconi called the charges "disgusting". But the judge is expected to give her approval, and the trial could begin within months. See article

France's president, Nicolas Sarkozy, told his cabinet to take their holidays at home. This came after scandals revealed that the prime minister, Francois Fillon, accepted free boat and plane trips from Egypt's president, Hosni Mubarak, and the foreign minister, Michele Alliot-Marie, had taken flights paid for by a friend of the former Tunisian president. See article

Doku Umarov, a notorious Chechen terrorist leader, said that he had ordered last month's suicide-bombing at **Moscow's Domodedovo airport**, which killed 36 people. The Russian police arrested the siblings of the man they claim was the suicide-bomber.

In a speech in Munich, **David Cameron** claimed that "state multiculturalism" had failed and had led many Britons to live segregated lives. The British prime minister wants to foster a stronger sense of national identity. He made his speech on the day that the English Defence League, a far-right group, marched through Luton, a town with a large Muslim population. See article

---

Index | The world this week

Business this week

Feb 10th 2011 | from PRINT EDITION

NYSE Euronext and **Deutsche Borse** announced they were in advanced merger talks. The deal would see shareholders in the German exchange hold a majority stake in the new company. The two have a history: in 2006 Deutsche Borse launched a takeover bid for Euronext, which operates the Paris and Amsterdam exchanges among others, but lost out to the New York Stock Exchange. Earlier, the **London Stock Exchange** and **TMX**, which runs the Toronto bourse, said they would merge their businesses. Both exchanges are popular listing venues for mining and commodities firms. See article

The scale of profits reaped by big **mining companies** last year on the back of booming mineral prices exceeded most expectations. Rio Tinto's net earnings almost tripled in 2010, while net profit at Xstrata rose by 86%.

Malicious intent

NASDAQ confirmed that it had found malware files on a web-based service it offers to companies to store and distribute financial data. NASDAQ's stockmarket trading platforms were unaffected. There was no evidence that hackers had accessed any company documents, but news of the attack, coming soon after electronic permits were stolen in Europe's carbon markets, raised further questions about cybersecurity at electronic exchanges.

In one of the biggest investments to date by a Chinese company in North America, **PetroChina** said it would pay $5.4 billion for a 50% stake in unconventional-gas assets held by Encana, which operates in western Canada.

Battered by Ireland's housing crash, **Anglo Irish Bank** said it lost euro17.6 billion ($24 billion) in 2010, including losses from loans it gave to property developers. The government has put many of these loans in a "bad bank". Meanwhile, the courts began the process of winding down Anglo Irish and Irish Nationwide, another distressed lender, to comply with the terms of Ireland's bail-out by the European Union.

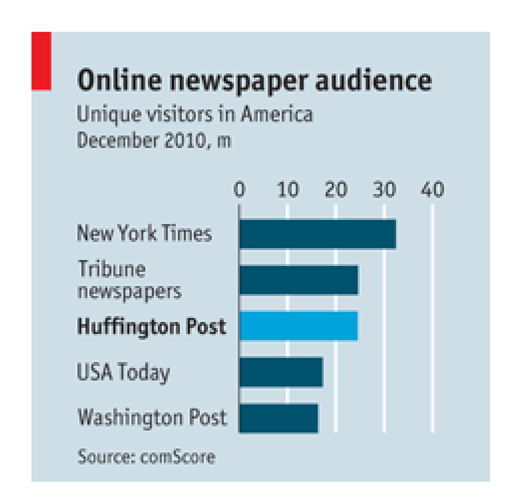
Markets were awash with speculation that **Axel Weber** was no longer interested in succeeding Jean-Claude Trichet as president of the European Central Bank. Mr Weber, who heads Germany's Bundesbank, has hitherto been considered the front-runner for the job. He has opposed the ECB's purchases of the bonds of euro-zone governments.

Wizard stuff

The long-awaited details of **Project Merlin**, a truce between the British government and banks, were unveiled by George Osborne, the chancellor. Under the deal British banks promised to reduce bankers' bonuses and be more open about how

their most senior executives are paid. They also pledged to increase their lending to businesses. Earlier, Mr Osborne unexpectedly brought forward an increase in a **levy on banks**, to 0.075% of their debt, reaping an additional pound800m ($1.3 billion) for the Treasury. See article

American regulators proposed changes to the way bankers are rewarded. Larger banks would be legally required to defer 50% of **executive bonuses** for three years or more and link the payments to performance (some banks have already introduced similar changes). They would also have to determine which of their employees trade in areas that could inflict substantial damage to the bank, and ensure that their compensation schemes discourage excessive risk-taking.



AOL agreed to buy the *Huffington Post*, an online newspaper and news aggregator, for $315m. The *HuffPo* was founded by Arianna Huffington, a wealthy pundit, as a liberal voice on the internet. Some of the unpaid bloggers that contribute to the site wondered if it would remain distinctive. Ms Huffington will be in charge of a new unit at AOL that integrates its news, entertainment and social-media content. See article

Ahead of **Nokia's** announcement of a new business strategy, a memo written by Stephen Elop, its chief executive, was leaked. In it Mr Elop compared the Finnish mobile-phone company to a man on a "burning platform" deciding whether to jump into "icy waters". He also admitted that Nokia was "years behind" in the market for smartphones. See article

China's central bank raised its benchmark **interest rate** by 25 basis points to 6.06%, its third increase since October as it tries to tackle rising inflation.

Driver error

An investigation by American road-safety officials concluded that the problem of sudden acceleration that led to a huge recall of **Toyota** cars was not caused by the carmaker's electronic systems, as claimed in hundreds of lawsuits. Sticking foot-pedals and floor mats accounted for some of the mishaps, but most were caused by "pedal misapplication", or motorists mistaking the accelerator for the brake.

Index | The world this week

Daily Chart

Feb 10th 2011 | From *The Economist* print edition



Technology

Print me a Stradivarius

Feb 10th 2011 | from PRINT EDITION

How a new manufacturing technology will change the world



THE industrial revolution of the late 18th century made possible the mass production of goods, thereby creating economies of scale which changed the economy-and society-in ways that nobody could have imagined at the time. Now a new manufacturing technology has emerged which does the opposite. Three-dimensional printing makes it as cheap to create single items as it is to produce thousands and thus undermines economies of scale. It may have as profound an impact on the world as the coming of the factory did.

It works like this. First you call up a blueprint on your computer screen and tinker with its shape and colour where necessary. Then you press print. A machine nearby whirrs into life and builds up the object gradually, either by depositing material from a nozzle, or by selectively solidifying a thin layer of plastic or metal dust using tiny drops of glue or a tightly focused beam. Products are thus built up by progressively adding material, one layer at a time: hence the technology's other name, additive manufacturing. Eventually the object in question-a spare part for your car, a lampshade, a violin-pops out. The beauty of the technology is that it does not need to happen in a factory. Small items can be made by a machine like a desktop printer, in the corner of an office, a shop or even a house; big items-bicycle frames, panels for cars, aircraft parts-need a larger machine, and a bit more space.

At the moment the process is possible only with certain materials (plastics, resins and metals) and with a precision of around a tenth of a millimetre. As with computing in the late 1970s, it is currently the preserve of hobbyists and workers in a few academic and industrial niches. But like computing before it, 3D printing is spreading fast as the technology improves and costs fall. A basic 3D printer, also known as a fabricator or "fabber", now costs less than a laser printer did in 1985.

Just press print

The additive approach to manufacturing has several big advantages over the conventional one. It cuts costs by getting rid of production lines. It reduces waste enormously, requiring as little as one-tenth of the amount of material. It allows the creation of parts in shapes that conventional techniques cannot achieve, resulting in new, much more efficient designs in aircraft wings or heat exchangers, for example. It enables the production of a single item quickly and cheaply-and then another one after the design has been refined.

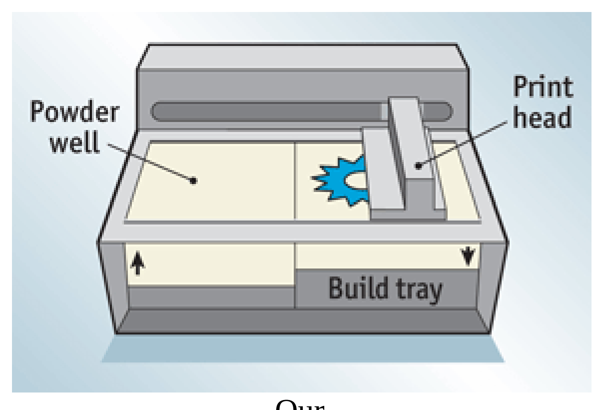
For many years 3D printers were used in this way for prototyping, mainly in the aerospace, medical and automotive industries. Once a design was finalised, a production line would be set up and parts would be manufactured and assembled using conventional methods. But 3D printing has now improved to the point that it is starting to be used to produce the finished items themselves (see article). It is already competitive with plastic injection-moulding for runs of around 1,000 items, and this figure will rise as the technology matures. And because each item is created individually, rather than from a single mould, each can be made slightly differently at almost no extra cost. Mass production could, in short, give way to mass customisation for all kinds of products, from shoes to spectacles to kitchenware.

By reducing the barriers to entry for manufacturing, 3D printing should also promote innovation. If you can design a shape on a computer, you can turn it into an object. You can print a dozen, see if there is a market for them, and print 50 more if there is, modifying the design using feedback from early users. This will be a boon to inventors and start-ups, because trying out new products will become less risky and expensive. And just as open-source programmers collaborate by sharing software code, engineers are already starting to collaborate on open-source designs for objects and hardware.

The jobless technology

A technological change so profound will reset the economics of manufacturing. Some believe it will decentralise the business completely, reversing the urbanisation that accompanies industrialisation. There will be no need for factories, goes the logic, when every village has a fabricator that can produce items when needed. Up to a point, perhaps. But the economic and social benefits of cities (see article) go far beyond their ability to attract workers to man assembly lines.

Others maintain that, by reducing the need for factory workers, 3D printing will undermine the advantage of low-cost, low-wage countries and thus repatriate manufacturing capacity to the rich world. It might; but Asian manufacturers are just as well placed as anyone else to adopt the technology. And even if 3D printing does bring manufacturing back to developed countries, it may not create many jobs, since it is less labour-intensive than standard manufacturing.



Our

The technology will have implications not just for the distribution of capital and jobs, but also for intellectual-property (IP) rules. When objects can be described in a digital file, they become much easier to copy and distribute-and, of course, to pirate. Just ask the music industry. When the blueprints for a new toy, or a designer shoe, escape onto the internet, the chances that the owner of the IP will lose out are greater.

There are sure to be calls for restrictions on the use of 3D printers, and lawsuits about how existing IP laws should be applied. As with open-source software, new non-commercial models will emerge. It is unclear whether 3D printing requires existing rules to be tightened (which could hamper innovation) or loosened (which could encourage piracy). The lawyers are, no doubt, rubbing their hands.

Just as nobody could have predicted the impact of the steam engine in 1750-or the printing press in 1450, or the transistor in 1950-it is impossible to foresee the long-term impact of 3D printing. But the technology is coming, and it is likely to disrupt every field it touches. Companies, regulators and entrepreneurs should start thinking about it now. One thing, at least, seems clear: although 3D printing will create winners and losers in the short term, in the long run it will expand the realm of industry-and imagination.

Index | Leaders

Africa's natural resources

Spread the wealth

Feb 10th 2011 | from PRINT EDITION

The impressive growth figures of resource-rich African countries are not all good news



AFRICA'S ramshackle cities are wearing crowns of gleaming skyscrapers. Six of the ten fastest-growing countries in the world in 2000-10 were African; Angola grew faster than anywhere else on the planet. Parts of Africa have suddenly taken on a prosperous sheen, drawing talented exiles back to their roots now that they offer a decent living. Talk is of a virtuous circle in which growth feeds expertise, which feeds investment. Some of this new prosperity is the result of better economic policies, but more is the consequence of a boom in commodity prices that has spurred investment in mining and drilling as well as in office towers, bridges and roads.

Even if it is mostly the result of luck, who would begrudge Africa this renaissance? At last there is money to spend on helping the poor. The need is great: electrical power and clean water, transport networks that can boost regional trade, schooling and primary health care for all.

Sadly, many countries are squandering their best chance in decades. Equatorial Guinea's elite hoards a fortune in opaque accounts. Chad channels wealth to bent officials. In Sudan they inflate the cost of infrastructure projects and siphon off funds. And state firms in Nigeria are "privatised" by handing them over to crony managers.

The failure is about more than just predictable corruption. Africa suffers from the resource curse, which blights countries nature made rich. Corrupt states become more powerful because revenues from natural resources flow straight to them. Health and education suffer as poorly paid doctors and teachers take jobs in oil firms. Fighting over resource-rich areas like the Niger Delta frightens investors.

The effects of the resource curse are painfully clear in Africa. Insiders and profiteers are increasingly using oil revenues to take over service industries. They crowd out entrepreneurs and create their own monopolies. At first glance, countries like Angola (see article) look as if they have thriving private sectors, but those firms are really loose cartels run by the oil-rich elite. Some governments are also using resource cash to maintain control. Cronies buy independent media and foreign leaders hear that access to oil depends on turning a blind eye to the brutal silencing of domestic critics.

And even good intentions often fail the poor. Africans joke that the animal they see most often these days is the white elephant-high-profile investment projects that serve no purpose. Angola has built 24 new hospitals, but cannot staff them because, although it has 18m people, it has only 1,500 doctors. Although among Africa's richest countries, it is the only one in the world with cases of urban polio. Elsewhere, Africa's rulers have spent billions on their armies. Global defence spending has fallen by 35% since the end of the cold war: in sub-Saharan Africa it increased by almost a third.

The gift that takes away

The first responsibility to do something lies with African leaders themselves-at least if they want to avoid a dismal succession of coups and military governments. But concerned outsiders can, and should, help. The IMF and some oil majors have made a good start by pressing governments to publish details of their revenues from natural resources. With accounts laid open, local media might put pressure on kleptocrats. For this Africa's press needs financial support and training. Micro-loans and trade links can help entrepreneurs compete with state-backed monopolists. No place without the institutions to hold powerful men to account can completely escape the temptations of huge resource wealth. But Africa's poor deserve so much better.

Index | Leaders

Egypt rises up

The long haul

Feb 10th 2011 | from PRINT EDITION

Hosni Mubarak's regime looks as if it is trying to snuff out the protests. Can it be stopped?



THE protesters in Tahrir Square, dug in behind coils of barbed wire, have taken to lodging in tank tracks. Cairo is once again choked by traffic jams, as it was before the country erupted just over two weeks ago. In the world's press Egypt's cataclysm has begun to slide off the front pages. As daily life accommodates the Middle East's biggest uprising in decades, a brittle normality has, however briefly, taken hold.

That is better than the violence that had threatened to engulf the protests. Stability could be the starting point for non-violent change in Egypt. Talks between Omar Suleiman, the new vice-president, and "wise men" and opposition figures may turn out to be the crucible for a fundamentally new Egypt. But stability, if it lasts, could also easily degrade into attrition. The fear is that, as the regime of Hosni Mubarak temporises and backslides, the talks will in fact bodge together a "peaceful transition" from one military strongman to another.

That, at any rate, is what the regime seems to want. Cannier and more determined than the lot down the coast in Tunisia, Mr Mubarak and his team look as if they are trying to sap the protest's momentum by mixing bribery and concessions with propaganda and suppression. His regime has raised public servants' pay and broken a taboo by agreeing to talk to the Muslim Brothers. At the same time, state media have damned the protesters as impertinent, drug-fuelled, foreign-backed, Islamist troublemakers. The security services have arrested, beaten up and tortured more than a few. Some 300 people have lost their lives. Many fear that the regime's secret police will before long start to knock on doors in the dead of night.

For Egypt to be thus denied popular reform would be a tragedy. Democracy cannot emerge fully formed in a country that has had 30 years of rule under a president like Mr Mubarak. But it will not emerge at all if the strongmen and the generals determine the pace of change. When Mr Suleiman declares that Egypt "is not ready" for democracy, he sounds as if he is laying the ground for retrenchment-or possibly for the violent confrontation he says he is determined to avoid.

If the hard men in the regime thought that the protests would evaporate, they have been sorely disappointed. The opposite has happened. More demonstrators than ever turned out on February 8th, including groups such as the lawyers' syndicate and lecturers from Cairo University that had not yet protested en masse. Workers at the Suez Canal have begun striking. Egypt's independent press and television have found their voice. In their reports on what they have started to call the "revolution", they are now showing pictures of dead middle-class protesters-a far cry from the rabble-rousers whom the state-run media blame.

Amid the ebb and flow of the protests, the question is still how to get real change (see article). The best guarantee that reform was coming to Egypt would be Mr Mubarak's departure. As *The Economist* went to press there were rumours that he was about to go. Whether or not he clings on, what concessions are essential if Egypt is to move towards democracy?

Isis or Osiris?

First, Mr Suleiman must lift the state of emergency, so as to legitimise the protests and knock back the regime's security forces. Second, he needs to appoint a commission with a mandate for sweeping constitutional reform that represents not just ageing jurists but also the 50% of Egyptians under 25. The commission should set out to design a genuine separation of powers, rather than just tweak the presidential poll, as the regime proposes. And third, he should annul last year's farcical parliamentary elections. Egypt needs a new, freely elected chamber to vote on a reformed constitution.

The bravery of the protesters will be the main determinant of change; but the outside world can help. Only fantasists imagine that America can determine what happens in Egypt; only defeatists counsel timidly hanging back. Barack Obama should be clear that America wants democratic reform-though the details are up to Egypt. By insisting that America will not accept backsliding or persecution, he can help to protect the protesters. Nobody knows if Egypt's uprising will have a happy ending. But the prize is worth striving for.

Running the euro zone

Pact of uncompetitiveness

Feb 10th 2011 | from PRINT EDITION

Dangers lurk in Franco-German plans for a more tightly integrated euro zone



EUROPEANS have learned to let their attention drift when Brussels starts droning on about "process". But every so often, a change in the mechanics of the European Union really does matter. Just such a moment looms next month, at the first summit meeting of the euro zone ever to be held, when Germany's Angela Merkel and France's Nicolas Sarkozy will press for agreement to a "pact of competitiveness"-part of a grand bargain under which more money will be made available to bail out troubled euro-zone economies, with perhaps more flexibility in its use. The pact sounds technical, but it foreshadows something much bigger: a closer integration of the euro zone that could hold threats for the entire EU.

Details, details

On the face of it, the pact is about bolstering the economic bit of Europe's economic and monetary union (see Charlemagne). Germany's desire for more intrusive controls over euro members' fiscal and economic policies is understandable after last year's bail-outs. And the competitiveness pact includes some sensible ideas, including raising retirement ages to 67 and scrapping indexation systems that link wages to prices-though these will be hard to agree.

But the pact does little to resolve the euro's current sovereign-debt crisis (see article). First Greece and then Ireland have been bailed out. Portugal may be next. Yet though this may buy time, it fails to recognise that Greece and maybe the other two as well are insolvent. Unless other euro-zone members (for which read Germany) are prepared to make large fiscal transfers, which is unlikely, there is no alternative to debt restructuring-and it would be sensible to start this now.

The pact also includes ideas that are not just unhelpful, but also damaging. One is to impose constitutional amendments to enforce balanced budgets, which are too rigid in a system without a big federal budget. Plans to harmonise tax bases could too easily evolve into minimum tax rates. Harmonising educational qualifications could also turn into just another way of inhibiting competition.

It is not just the countries involved that are threatened by closer integration: it is the EU as a whole. Many euro-zone countries are instinctively interventionist, hostile to unfettered competition (including tax competition) and overly sympathetic to state aid for industry. The European Commission will no doubt continue to defend the EU's single market, with the support of several euro-zone members (such as Austria, the Netherlands and Slovakia). But the liberals are a smaller minority in the euro zone than in the wider EU. Indeed, this is why the French always wanted a bigger political role for the euro group-and why the Germans long resisted it. The euro crisis has shifted Mrs Merkel into backing closer integration of the euro zone.

This should also worry EU countries outside the euro, including Britain, Poland and Sweden. Mrs Merkel and Mr Sarkozy have invited all EU members to join the competitiveness pact and submit to tougher fiscal scrutiny, but they are unlikely to do so unless and until they adopt the euro-and a more integrated and less liberal euro group might make joining the euro less attractive, for instance by opting for more harmonised taxes and social policies. This could even put at risk the EU's single market. Already, some euro members hint that Britain, Poland and Sweden had an unfair advantage in 2009-10 because they could regain competitiveness by allowing their currencies to fall. It is easy to imagine such complaints leading to changes in the rules over state aid or to attacks on the four freedoms of movement-of goods, services, capital and labour-that underpin the single market.



Explore our

There is nothing wrong in principle with the idea of some EU countries going farther and faster towards political integration than others. Not all now join in the euro, the Schengen passport-free zone or European defence. Having a variety of subgroups can accommodate both those (like Belgium) that want closer political union and those (like Britain) that do not. But if the euro group turned into a protected core that agreed economic and social policies without heeding the rest, it could split the union.

The British government seems entirely happy to sit on the periphery. The Swedes and Poles are not. They are openly fretting that a more politically united euro group of 17 could divide the EU of 27. They are right.

Index | Leaders

British politics

No such thing

Feb 10th 2011 | from PRINT EDITION

What's wrong with David Cameron's "Big Society"



THE fuss about the fate of England's forests looks like a perfect example of the "Big Society" ethos that David Cameron wants to foster. Hundreds of thousands of people have protested and petitioned in support of cherished local amenities, in a spontaneous outburst of civic activism. There is a ferment of interest in the country's beloved woodlands, and how they can best be looked after. The hitch is that the policy that has provoked it-the planned sell-off of some state-owned forests to charities or private firms-is itself part of the prime minister's Big Society agenda. In this, and in other ways, Mr Cameron's pet philosophy is in trouble (see article).

The Big Society-always more popular in Number 10 than in Mr Cameron's Conservative Party, let alone the country at large-is based on a valuable insight: that the British state has become too big, impersonal and monolithic. The Big Society, a concept Mr Cameron developed in opposition, is his solution. The term is intended to convey a positive vision of Britain's future, an optimism that every government needs to project, especially one committed, as his is, to the fiercest programme of public-spending cuts in living memory. The problem is that the Big Society amounts to less than the sum of its parts, some of which are rather more convincing than others.

Take the good bits first. The coalition government wants to see much more pluralism and competition in the provision of publicly funded services, with greater roles for private companies, charities and employee-owned co-operatives: groups funded by the state, but embedded in society. It has made a start by, for example, encouraging the creation of Swedish-style "free schools", to be set up by parents and others, and by seeking to increase the use of private welfare-to-work specialists. That approach is right, overdue and should go further.

The coalition also wants to distribute more power from Whitehall to local councils and individual citizens, devolving decisions and making officials more accountable. For example, it wants more cities to have elected mayors. And it wants to make government more transparent, through online "crime maps" that show the incidence of crime street by street, the release of more detailed information on spending, and so on. Those are both sound principles, too.

The problematic part of the agenda is voluntarism. Mr Cameron would like voters to be more engaged in actually running services, such as libraries or parks, as well as in monitoring them. Britons already do a respectable amount of volunteering by European standards (if less than Americans), but there are reasons to doubt that they are willing to do the type or amount that he hopes. Many don't have the time: they already work longer hours than most other Europeans and spend relatively few with their children-something Mr Cameron says he wants to remedy. It is telling that Lord Wei, the government's volunteer (ie, unpaid) adviser on the Big Society, has cut down his hours, avowedly to devote more time to his family and earning a living. Another difficulty is that, as the rumpus over forests demonstrates, Britons seem to be more easily mobilised to prevent something undesirable happening than to create something new. They are perhaps a little too conservative for current Conservative tastes.

Not big or clever

The risk is that the emphasis on voluntarism makes it seem that the whole Big Society programme is merely elaborate camouflage for cuts: that Mr Cameron slyly expects volunteers to do what used to be the work of government. Opinion polls suggest that is indeed how the Big Society is widely perceived. This week there was an outcry among volunteering groups, who say that the funds they need in order to organise the little platoons of the willing are being withdrawn. Their

complaints compound the impression that all the talk of engagement and responsibility is a distraction from the government's real, state-slashing mission.

This matters precisely because, as the other ambitions corralled under the fuzzy Big Society rubric attest, Mr Cameron's real goal is much subtler. He wants to craft a slimmer state, but also a nimbler and more responsive one.

This aim is admirable, and localism, pluralism and transparency are excellent ways of furthering it. Pushing voluntarism on a sceptical population is not; nor is the mystifying and increasingly unpopular label with which Mr Cameron has tried to yoke these ideas together. He would do well to ditch both.

Index | Letters

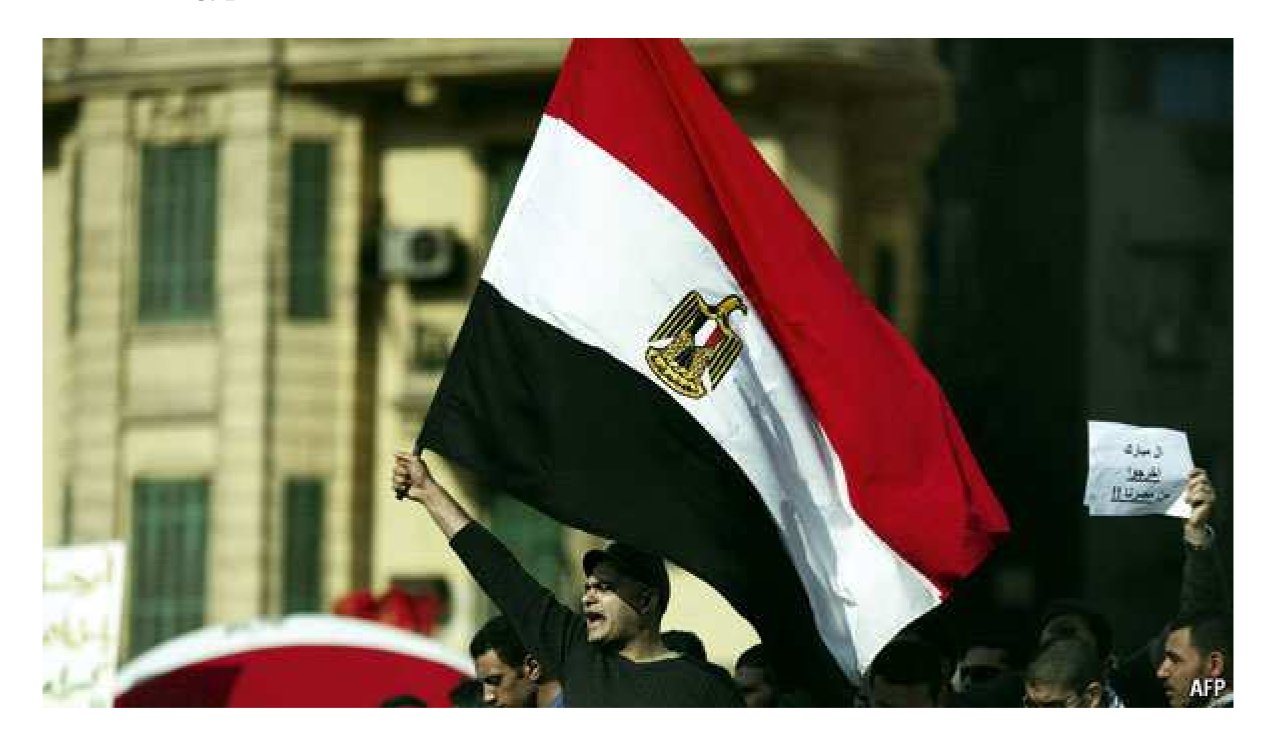
Letters

On Egypt, China, piracy, sex before marriage, America, Britain's banks, Turkey, the BBC, Belgium, the IRS

Feb 10th 2011 | from PRINT EDITION

Letters are welcomes via e-mail to letters@economist.com

A gradual transition in Egypt



SIR - You summed up nicely Egypt's recent past, but failed badly in propositions for its future ("Egypt rises up", February 5th). Good intentions can produce bad results. Your disapproval of a managed transition ignores the absence of leadership in Egypt's political opposition, which has been purged under Hosni Mubarak. Viable candidates are necessary in any democratic process. Meanwhile, anti-democratic forces are clearly lurking in Egypt's background, masking their intention to seize control, and lulling a gullible West into a false belief that removal of the bad guys will automatically lead to a government led by the good guys.

The protesters in Cairo have defined what they are against, but have not had time to clarify what they are for; Egyptians need time for scrutiny and a public debate. Even then, the result could be a flawed Ukrainian-style democracy, leaving some longing for the "good old days." Why not push for a transition to democracy managed by the UN or another neutral body, instead of an invitation to chaos?

Jerry Hartke
Lancaster, Massachusetts

Business education in China

SIR - Your article on John Quelch, the new dean of the China Europe International Business School, said that he should not expect the "autonomy" he enjoyed at Harvard as "all education is tightly regulated in China" ("Teaching case studies in China", January 22nd). This is an outdated myth and simply wrong. In fact, one aspect behind the rapid rise of CEIBS is that the government has recognised that the school operates as a Special Education Zone, with full academic freedom in our classrooms.

Furthermore, the management structure at CEIBS, with one European and one Chinese president and one European and one Chinese vice-president, by no means hinders our development, as suggested in your article, and instead creates a partnership built upon a cross-cultural mutual respect that prepares our graduates to work effectively in China.

Finally, our co-dean, Zhang Weijiong, is far from being a "shadow who bows to Beijing", and is a highly respected academic in his own right.

Pedro Nueno
President
China Europe International Business School
Shanghai

Piracy at sea



SIR - I am quoted in your article on piracy as saying that the average duration for a hijacking is 60-80 days ("No stopping them", February 5th). A better reflection of what is happening is to take a rolling average of the duration for a hijacking of the last six ships that have been released. That now stands at 213 days, up from around 93 days this time last year. It is a significant period for the crew who are often kept in one room and are subject to the random and unpredictable behaviour of their guards.

The shipping industry needs to start asking why the length of time a crew is held captive has increased and whether its approach to negotiations is the right one. Some argue that there is a moral duty on shipowners to pay the hijackers as little as possible. But, after the year of the seafarer, it may be that the correct moral imperative should be the early release of the crew.

Stephen Askins
Ince & Co
London

* SIR - Your article gave some much-needed visibility to the critical issue of piracy in the Indian Ocean. The United States deplores the violence against mariners that often accompanies a pirate attack, and deplores equally the destructive influence of piracy on Somali society, where more transparent and dedicated governance is desperately needed. It is in our strategic interest to deter and ultimately end piracy, and we are working vigorously with other countries around the world to devise and carry out effective policies in pursuit of that objective, including through the Contact Group on Piracy Off the Coast of Somalia.

You also rightly pointed out the challenges associated with putting captured pirates on trial, and incarcerating them if convicted. The United States is prosecuting suspected pirates who have attacked American vessels, and we and our partners continue to offer financial aid and tangible, practical support to build judicial capacity in the region.

The increase in the sophistication of attacks, and the dramatic upswing in the size of ransoms demanded and the amount of money paid to pirates, is alarming. In this context, the United States supports an international focus on tracking and disrupting illicit financial flows and urges support by all concerned parties.

Although negotiating and paying ransoms may be the most expedient way for ship owners and operators to deal with the threat to their sailors and ships, the United States believes this is ultimately a self-defeating practice: every ransom paid emboldens the pirates and subsidises the next attack.

Andrew J. Shapiro
Assistant Secretary for Political-Military Affairs
US Department of State
Washington, DC

Sex before marriage



SIR - The finding of a correlation between abstaining from premarital sex and a more stable and satisfying marriage should be called into question ("The waiting game", January 22nd). That finding is based on an online questionnaire. Surely respondents who see no moral ambiguity in sex before marriage are more likely to be truthful about their premarital sexual experiences. Those whose premarital experiences conflict with their religious beliefs might have more clouded memories.

Moreover, the research was conducted by a member of the "school of family life" at Brigham Young University, an institution funded and run by the Church of Jesus Christ of Latter-day Saints, whose doctrine on sexual abstinence before marriage is very clear. A member of BYU publishing research indicating that sexual abstinence leads to a more fulfilling marriage should be as surprising as scientists at a cigarette company demonstrating no link between tobacco and lung cancer.

Paul Hooker
Professor of chemistry
Westminster College
Salt Lake City

Original intent

SIR - Your briefing on Barack Obama and the state of the union referred to the tea party's "awe" of the American constitution ("Crunch time", January 29th). That awe, however, is of a fantasy text that is at odds with the original document. Tea partiers believe that the constitution was written to weaken an overreaching Congress. In fact, recognising that the preceding articles of confederation were weak, the framers of the constitution enumerated the powers of Congress: to levy taxes, make war, set the rules of commerce, and much more.

The tea party also thinks that the constitution was created to protect the states from federal power. Yet there is nothing to that effect in the document, which provides specific limits on states in relation to federal power.

George Stubbs
Melrose, Massachusetts

SIR - You said that most Americans prefer divided government, but what we really like is government divided between centre-left and centre-right parties. The mid-term elections returned a bevy of ultraconservative tea partiers, while thinning the ranks of moderate Democrats. The result is stronger polarisation in Congress, with a hollowing out of the political centre.

James Seidman
Naperville, Illinois

Our state-of-the-union cover



SIR - Your cover of [January 29th] was very apropos, depicting a map of the American states with corny new names. It was as juvenile as the rest of the jejune copy inside. All that remains is to rebrand the whole country in keeping with your state of the states; perhaps, Americrash?

Jim Post
Brookline, Massachusetts

SIR - What about the Untied Stakes of Amerry-go-round?

Paul Rapoport
Ancaster, Canada

* You forgot our capital,
Washing D-hands-of-it

Christian Salini
Washington, DC

Causes and effects in banking

* SIR -It was disingenuous of you to argue that bank loans and "not trading by investment bankers" was mostly responsible for the financial debacle in Britain ("Vickers in a twist", January 29th). True, banks such as Northern Rock and Royal Bank of Scotland did lend excessively, but they would very likely not have done so had they not been gulled by

the cornucopia of funds available through securitisation, and magically rendered risk-free by the credit-default swap explosion.

Caveat emptor, you may reply, but it was certainly the investment banks that devised these particular roads to perdition, together with their slovenly sidekicks in the credit-ratings agencies.

Hugo Radice
Askrigg, North Yorkshire

Historical accuracy in Turkey



SIR - You reported that the Turkish government and Muslim conservatives were angry at scenes in a TV series depicting Sultan Suleiman the Magnificent lusting over his queen and drinking wine ("Magnificent no more", January 29th). This is a shock only to an ignorant few. Suleiman himself sheds the best light on his life through his poetry:

"Take her lips in your mouth: be a man, kiss her, heart and soul

No dessert is as sweet as she, only wine is delicious like her."

Clearly, and unfortunately, he was much more progressive than today's government in Turkey. Bulent Arinc, the deputy prime minister, said recently that "life is not just about sex and wine". Perhaps Suleiman would disagree.

Ozgur Tuncer
London

Russian translation

SIR - Mikhail Gorbachev's quote that "the BBC sounded the best" while he was under house arrest in 1991 is not exactly right ("Dosvidaniya, London", January 29th). That was the BBC's take from the Russian. This is the translation used by Reuters: "We got BBC, best of all... they were the clearest signal". Mr Gorbachev was referring to the technical quality of the radio transmission, not to the content. However, he did pay this tribute to the BBC at a press conference when he could not see its correspondent: "The BBC knows everything already".

Michael Nelson
London

In praise of Belgium



SIR - Charlemagne was right to say that the world should give more thought to Belgium (January 29th). Belgium has an open economy. In terms of exports per head it beats China, Germany and America by great lengths and its entrepreneurs compete well with their German rivals. Belgium is democracy in action. There are no riots, no politicians in jail and no limits on expression. Politicians appear in television debates in the Walloon, Flemish and German parts of the country, and do so politely and in the language of the viewing audience. Living in a small but complex country with a richer history than is usually appreciated, Belgians are especially good at reaching peaceful solutions through consensus.

Belgium's coalition parties support the caretaker government while it keeps the national house in order. Belgians can therefore endure the 230-days-or-longer of negotiations it takes to form a government.

Koen Torfs
Neuss, Germany â€ƒ

SIR - It is true that the separatist New Flemish Alliance has become the dominant party in Flanders, but at the most recent federal election it got only 28% of the vote in the region. Most people do not back their separatist agenda, yet the N-VA behaves as if it were the majority.

Stephaan Taccoen
Bruges â€ƒ

SIR - I noticed a distinct shift in *The Economist*'s editorial stance since Belgium's last extended period without a government. At that time you argued that a "praline divorce is in order" for Flanders and Wallonia ("Time to call it a day", September 8th 2007), with no mention of the greater ramifications that such an event might have on separatist nationalism across Europe.

Have the recent divisions within Europe, made so evident by the ongoing debt crisis, shaken your faith in the supposed post-nationalist success of the modern European experiment? Or would it not bode well if the bureaucratic capital of a political block of 27 countries seceded from a hypothetically independent Flanders over a matter as trivial as linguistic differences?

Alexander Cabot
Santa Barbara, California

SIR - If Belgium were to break apart, why should Brussels be limited to joining Flanders or Wallonia? Perhaps the city could become the independent capital district of the European Union.

Frank Lowther
Los Angeles

An internal matter



SIR - As we here in the United States read your excellent reporting, we learn to sail right over such Britishisms as the epenthetic u in labour and colour, the absence of the period after Mr and Ms, and the strange placement of commas and periods outside of quotation marks. But when you invent such a new, and important, government department as "the Inland Revenue Service", we can't help but stop and blink, and think, where are we now? ("God knows", January 29th.)

James Dew
Santa Barbara, California

Editor's note: We should have called America's tax-collection agency by its correct name, the Internal Revenue Service. Sorry.

* Letter appears online only

Index | Briefing

Egypt and the region

The long standoff

Feb 10th 2011 | *CAIRO* | from PRINT EDITION

Fighting gives way to talking, but the mood of protest cannot be reversed



THE Nile flows placidly in one direction, but the tides of Egyptian politics, now at full flood, have not been so predictable lately. The past two weeks of unrest have seen the power of public opinion roll at times in favour of the country's huge

protest movement, then gush back to reinforce the regime. The question of who remains standing when things calm down will affect not just Egypt, but the region.

To general relief, the unrest seems to have passed its most violent phase. Human Rights Watch, an advocacy group, has documented 302 deaths so far, many of them victims of police gunfire on the nights of January 28th and 29th. Now, however, a semblance of normal life has resumed in most of the country. Banks are open, Cairo traffic snarled as usual. Regular police, bolstered by the army, have replaced citizens' patrols. Egypt's currency has bounced back from a slight dip and looks solid, though tourism remains badly hit. Egypt's stock exchange may be up and running by next week.

Peaceful protests continue, however, and are even intensifying. In Egypt's biggest cities, Cairo and Alexandria, huge crowds continue to gather, demanding much more far-reaching change than President Hosni Mubarak has yet been willing to consider. The tent city in Cairo's central Tahrir Square has expanded, with swarms of protesters now engulfing nearby government buildings, including Egypt's parliament. Sporadic unrest still roils remoter provinces, with reports of clashes between police and protesters south of Cairo, in Port Said, in the northern Sinai peninsula and in the desert oasis of Kharga. Industrial strikes and sit-ins are also spreading, though it is unclear if workers are motivated by politics or by demands for better pay.

The resilience of the protest movement appears to have left Mr Mubarak's men struggling to catch up. The concessions they have granted so far are not small, and would have been considered stunning only weeks ago. The first round of these included Mr Mubarak's promise that neither he nor his son Gamal will run for president in elections scheduled for September; the installation of a new cabinet and prime minister; pledges not to attack or prosecute protesters, and to release political prisoners; detention and prosecution of some former officials, including the interior minister; and a pledge to honour verdicts in hundreds of court challenges to parliamentary elections in December that gave the ruling party nearly 90% of seats.

In a second round of placatory gestures, the men at the top of the ruling National Democratic Party, including Mr Mubarak's son and other longtime stalwarts, were replaced with milder figures. The new vice-president, Omar Suleiman, a former intelligence chief, invited dozens of opposition figures, including representatives of the still officially outlawed Muslim Brotherhood, to talks. In what the government portrayed as a response to these, Mr Mubarak decreed the formation of three "independent" commissions. One, composed of senior jurists, is to propose changes to Egypt's constitution that will lift restrictions on who may run for president, the second is charged with pursuing the dialogue with opposition forces, and the third with investigating attacks on protesters by hired pro-Mubarak gangs. For good measure, the government promised a 15% pay rise to its 8m employees.

Mr Suleiman, increasingly the face of the regime, describes these moves as meeting nearly all the protesters' demands. While conceding that change is inevitable and necessary, he insists that reforms must take place in accordance with Egypt's constitution, a document created in 1971 that grants regal powers to the presidency, and allows for little oversight of such institutions as the army and intelligence services.

He has also pleaded for time, insisting that since barely 200 days remain before September's scheduled presidential election, space must be made for the motions of reform, including the drafting and passage of bills before Egypt's parliament. Mr Mubarak cannot simply resign, he says, because this would activate a constitutional provision requiring elections within 60 days, and Egypt is not ready. The notorious Emergency Law that allows indefinite detention of suspects, and which has been enforced throughout Mr Mubarak's three decades in power, can be lifted only when security conditions allow, he insists.

Such arguments appeal to many. Fears of wider unrest contributed to the decision by parts of Egypt's fragmented opposition to embrace Mr Suleiman's offer of dialogue. But serial blunders by Mr Mubarak's supporters have repeatedly undermined their position. The brutal onslaught on Tahrir Square by mobs of knife- and gun-wielding "pro-stability" thugs on February 2nd, which left at least 11 dead and more than 1,000 wounded, caused revulsion. Mr Suleiman's own utterances have not helped much, either. In one interview he described the protesters as puppets of foreign agents, and advised their parents to tell them to go home.

To the youthful core of protesters, such words only reinforce the sense that Egypt's ageing elite is out of touch and unwilling to budge. The purge in the ruling party, and the appointment of grey-haired committees to consider change, appear to them mere window-dressing. Although the army has stood back, the persistence of arbitrary detentions, the persecution of independent media and the continued manipulation of news by Egypt's government-owned press all feed distrust of the regime's intentions.

The man from Facebook

Crucially, Egypt's independent press, long pressured by the powerful ministry of information, is increasingly outspoken. Private newspapers and television have embraced the protests with growing boldness, showcasing photographs of "martyred" youths slain in the protests, interviewing their families and emphasising their respectable middle-class backgrounds. Several popular chat-show hosts have challenged the government on air and demanded the release of prisoners.

The television appearance on February 7th of Wael Ghoneim, the founder of a Facebook page commemorating a youth who was killed by plainclothes police in Alexandria last year, electrified Egyptian audiences. Mr Ghoneim's Facebook group, which now counts more than 600,000 members, is widely credited with mustering the middle-class crowds that launched Egypt's wave of protests, but he himself was abducted by police early in the unrest. Released under intense public pressure after 12 days during which he was held incommunicado and blindfolded, Mr Ghoneim broke down in tears on a live television show when presented with pictures of those killed during clashes with police. "It's not our fault," he sobbed. "It's the fault of everyone in power who governed."

For many fence-sitting Egyptians, Mr Ghoneim's appearance both gave a respectable face to the protests, and amplified the sense of grievance against the regime. All through the next day record crowds flocked to Tahrir Square, energising and emboldening the core protesters. At several government-owned newspapers, staff have threatened to oust state-appointed editors. Government-controlled trade unions face similar internal revolts. The newly appointed minister of culture has resigned, bowing to fierce criticism from fellow intellectuals.

Schism has even erupted within Egypt's biggest religious institutions. With increasing openness, Muslims accuse such figures as the sheikh of al-Azhar, Cairo's 1,000 year old seat of Islamic studies, of being stooges for the government. Members of Egypt's 10% Coptic Christian community show growing discomfort with the 87-year-old Pope Shenouda, a staunch supporter of Mr Mubarak.

The youth groups that launched Egypt's protests have not, to date, budged from their first demands: Mr Mubarak must resign, parliament must be dissolved, the Emergency Law must be rescinded immediately and a caretaker coalition government formed to pave the way for fair elections and a new constitution. They reject any dialogue with the state until at least some of these basic goals are met.

Many observers had predicted that these groups, which represent the youth branches of the Muslim Brotherhood and several secular parties, as well as people with no ideology other than a desire for democracy, would be worn down by the state's resistance, isolated by public opinion, or splinter into factions. Mr Suleiman has hinted that the Muslim Brotherhood is plotting to ride the unrest in order eventually to impose an Islamic state. But this scenario now worries fewer secular Egyptians. The plain evidence from Tahrir Square is that Islamists make up only a fraction of Egypt's protest movement, albeit an enthusiastic and well-disciplined one, and that they have largely followed events rather than led them. Many Egyptians have been thrilled to see Christians and Muslims, including robed priests and turbaned Azharite scholars, mingling cheerfully in the square.

The resilience of the protest movement seems, in fact, to have stiffened the spine of those parts of Egypt's opposition that were originally receptive to Mr Suleiman's overtures. The Muslim Brotherhood's senior leaders, at first silent after meetings with the vice-president, now reiterate that Mr Mubarak must go. Mohamed ElBaradei, who represents a loose coalition of opposition parties, agrees. Several independent figures, including prominent academics, also lend weight to this demand.

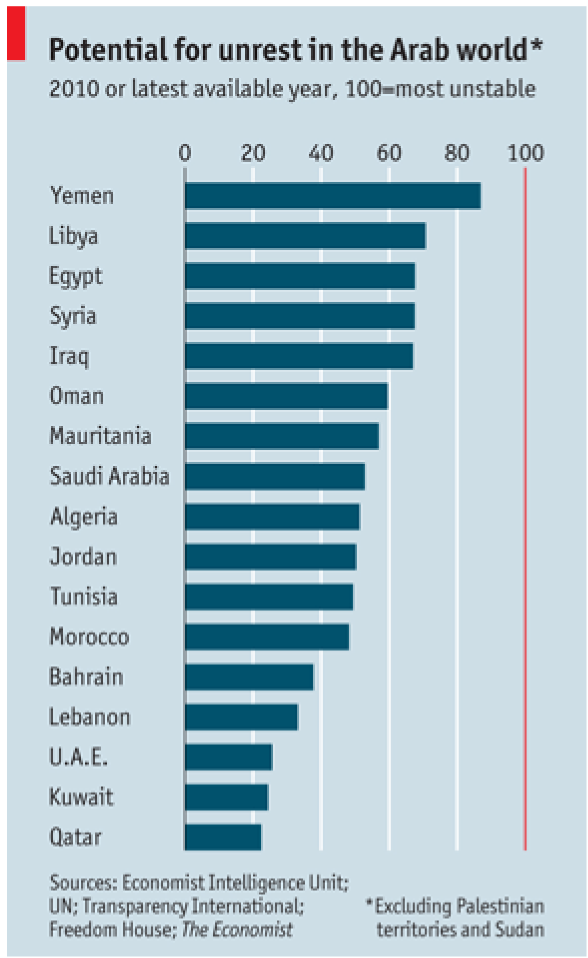
Much as the government has tried to depict its predicament as a struggle between unrealistic ideals and sage pragmatism, the mood now seems riper than ever for real change. Yet it is not easy to gauge this balance of forces. Mr Mubarak appears to retain the absolute loyalty of Mr Suleiman, and also of the army, as well as the battered but still formidable strength of the internal security agencies. The opposition has few ways to express its power, other than staying on the street and appealing through the media. For now, however, it is the young protesters who have the initiative. They have declared Friday February 11th a Day of Martyrs, and even more millions of Egyptians are likely to take to the streets. They will be hoping that there will be no more martyrs to count.

Index | Briefing

The shoe-thrower's index

Where is the next upheaval?

Feb 10th 2011 | from PRINT EDITION



For more detail, see our

BY PUTTING together a number of indicators that we believe feed unrest,and ascribing different weights to them, we have come up with a chart of Arab countries' vulnerability to revolution. Some factors are hard to quantify and are therefore discounted; the data on unemployment, for example, were too spotty to compare. The chart below is the result of ascribing a weighting of 35% to the share of the population that is under 25; 15% to the number of years the government has been in power; 15% to both corruption and lackofdemocracy indices; 10% for GDP per person; 5% for an index of censorship and 5% for the absolute number of people younger than 25.

Iran's view of Egypt

Opportunity and envy

Feb 10th 2011 | from PRINT EDITION

Which Iranian revolution has now broken out in Cairo?



United against the West and its lackeys

LAST November Iran's leaders learned that Egypt's President Hosni Mubarak nurtured what an American diplomat called a "visceral hatred" for the Islamic Republic, and that he referred to Iranians as "liars". There was disquiet in Tehran, not least because the source of this information, WikiLeaks, also revealed support among several Arab leaders for bombing Iran. The next month the speaker of Iran's parliament went to Cairo to patch things up with Mr Mubarak, and there was talk of restoring diplomatic relations, cut in 1979 by the leader of Iran's Islamic revolution, Ayatollah Ruhollah Khomeini. The Iranians apparently now expect to enjoy this boon with Mr Mubarak's successor-after the conclusion of a revolution similar to their own.

Kayhan, the hardline establishment's newspaper of choice, has hailed "the dawning of Khomeini over the Arab Middle East", while on February 4th Iran's supreme leader, Ayatollah Ali Khamenei, told worshippers at Friday prayers that Egypt's "Islamic awakening" had started "in the mosque". Mr Khamenei has clearly enjoyed the discomfiting of Mr Mubarak, that "enemy of freedom and lackey of the Zionists". In his sermon the ayatollah even cracked a joke about Mr Mubarak's name, which means auspicious in Arabic, scoffing at Egypt's "inauspicious regime".

For all that, it is unlikely that many senior Iranians expect Egypt to follow the template of 1979. More than physical distance divides the Middle East's two giants: Iran's Persian-speaking Shias rub along uneasily with the Sunni Arabs of the southern Mediterranean, whom they regard as their cultural inferiors. Alarmist comparisons by Westerners may also be misleading. Iran's uprising of 1978-79 was strongly Islamic, while the one in Cairo is not-or not yet. Nonetheless, in Iranian eyes, the fall of Mr Mubarak can only usher in a government less friendly to Israel and less of a "servant", as Mr Khamenei puts it, of the United States-a government more after Iran's own revolutionary heart.

Reactions from the main repository of Iranian hopes, Egypt's Muslim Brotherhood, have been cautious-as you might expect from a group whose radicalism is being scrutinised around the world. Within hours of Mr Khamenei's sermon, the Brotherhood's English-language website asserted that the Egyptian uprising was not "Islamic", but a mass action "far removed from any Islamist groups". Kamal el-Helbawi, a former spokesman for the Brothers, made the same point in a BBC interview, but went on to thank Mr Khamenei for his support and wished that Egypt had a "good" and "brave" president in the mould of Iran's Mahmoud Ahmadinejad.

The prospect of an alliance between revolutionary Iran and Islamist elements in a new Egyptian government is a nightmare for America and Israel. Iran already enjoys great influence in Lebanon through its proxy there, Hizbullah, and has warm relations with Hamas (itself an offshoot of the Muslim Botherhood), in Israel's Gaza Strip. If Iran were able to make high-placed friends in Egypt, where Mr Ahmadinejad is popular for defying the West, Israel's sense of encirclement by its most formidable adversary would be almost complete.

For Iran, though, overseas opportunity comes at a time of acute domestic worry. An international sanctions regime imposed on account of the country's contentious nuclear programme is biting, exacerbated by a recent cut in state subsidies, while protests that followed Mr Ahmadinejad's contested re-election in 2009 have encouraged the Islamic Republic to shed its final vestiges of democracy. The media is shackled, and executions are occurring at a rate of almost two a day. The main losers of the 2009 poll, Mir Hossein Mousavi and Mehdi Karroubi, have accused the Islamic Republic of resurrecting the monarchy, "only this time in the name of religion".

Supporters of Messrs Mousavi and Karroubi believe it is their Green Movement, and not the 1979 revolution, that has inspired protests across the Arab world. But they wonder why their movement was bloodily crushed, whereas those in Egypt and Tunisia have prospered. A big demonstration planned for next week in Tehran, ostensibly in support of the Egyptian protests, will, Mr Karroubi hopes, also pose a challenge to Iran's government. Among many Iranians, an unfamiliar emotion is evinced for the long-derided Arab: envy.

The Gulf states

Ripples, spreading

Feb 10th 2011 | *DUBAI AND MANAMA* | from PRINT EDITION

Even the oil-rich Gulf monarchies are feeling the Egypt effect

THE common grievances of the Arab world-unemployment, corruption and repressive government-are issues too in the Gulf. Monarchs, including the Saudi king, have expressed support for Hosni Mubarak, fearing the loss of an important pro-Western ally and bulwark against Iran. But "most Saudis support the two revolutions," says Saud al-Sarhan, a researcher based in Riyadh. Gerd Nonneman, a Gulf expert at Exeter University, says that praise from sheikhs and princes for the Egyptian and Tunisian regimes has been viewed with ill-concealed disdain.

Saudi bloggers lamented their government's decision to give Tunisia's ex-ruler refuge, but their reasons differed. Some complained that he was a dictator; others thought he was too secular. This helps explain why building an opposition movement is so difficult in Saudi Arabia. Grievances are plenty: about living standards, poor schools, lack of jobs. But the government is adept at using repression, propaganda, tribal networks and patronage to divide and weaken any opposition. Middle-class liberals are wary of democratising steps that might give more power to anti-Western Islamists. State-backed clerics have denounced the Egyptian and Tunisian protesters, and issued *fatwas* against anything similar in Saudi Arabia.

Only in the eastern province-home to a large but marginalised Shia population-is there much tradition of protest. But community leaders there are cautious, and desperate to avoid any accusations that they are a "fifth column" for Iran. Earlier this month young Saudis in the eastern city of Qatif planned a demonstration demanding political reforms, but community leaders talked them out of it. Still, there is a risk that these careful leaders will eventually lose control of the street.

Most Saudis have no wish to see a revolution, says Saud al-Tamamy of King Saud University. The events are being used by columnists, activists and ordinary citizens to push for more reforms and to attack corruption. But it is unclear whether any real reforms will follow, especially as the country's rulers are more preoccupied with succession, and with their own ill health.

In neighbouring Bahrain opposition groups complain of unemployment, corruption and discrimination against the Shia majority by the Sunni elite. The prime minister, Khalifa bin Salman al-Khalifa, has been in power ten years longer than Mr Mubarak. Oil production is declining, forcing the government to readdress the implicit social contract whereby Gulf governments provide subsidies and jobs, and levy hardly any taxes, in return for political loyalty. Other Gulf states will face that problem when the oil and gas begin to run out.

That is still several decades off for Saudi Arabia, Kuwait, Qatar and the UAE. Nonetheless, Kuwait's politically sophisticated citizens are demanding more rights, and the interior minister has just stepped down over torture claims. Unrest is less likely in the UAE and Qatar, where most of the population are foreign workers. But the UAE authorities are taking no chances. On February 4th a teacher there was arrested after expressing solidarity with the Egyptian protesters at a mosque. Clearly, these are jumpy times.

Syria's reaction

An alternative is sighted

Feb 10th 2011 | *DAMASCUS* | from PRINT EDITION

For the moment, the president is safe. But this may change



Under Assad's banner-for now

BASHAR ASSAD, Syria's president, has not been entirely immune to the unrest sweeping the region around him. Motley crews of *mukhabarat*, the secret police, are out in force. Syria's surging population and high unemployment, as well as its curbs on freedom of expression, may appear to make it ripe for revolt. But Mr Assad has proved himself a tenacious leader.

The security forces render small gatherings-such as those in support of Egypt last week-virtually impossible. The state has unabashedly stepped up arrests and imprisoned activists. By recruiting key commanders from his minority Alawite sect and Sunni loyalists, Mr Assad controls the army and intelligence services. There are no signs of the internecine divides that led to an attempted coup against Hafez, Bashar's father, by his brother in 1983, or the defection of the vice-president, Abdul Halim Khaddam, in 2005. A tacit pact between the Alawite and Sunni elites is cemented by the skilful doling-out of the fruits of economic liberalisation.

The president's Baathist regime has also bred fear of upheaval by manipulating suspicions between the country's numerous sects. For this reason, unrest in the eastern Kurdish areas never quite gains momentum, and opposition groups have been snuffed out. External contenders, including the banned Syrian Muslim Brotherhood, have few roots in the country. A coalition of intellectuals from Kurdish, secular and Islamic opposition groups provided the last internal push. Many of them now languish in jail; others, banned from leaving the country, creep around silently.

The new generation of Syrians, brought up on a diet of Baathist propaganda, has become depoliticised. Bloody civil wars in Lebanon and Iraq have convinced them that security is more worth having. Moreover, many of them like Mr Assad. He is youngish himself, at 45, and his ten years in power are a short spell by regional standards. By adopting the rhetoric of resistance, he has made himself immune from accusations that he is a lackey of the West. Some in Damascus discuss the protests in Egypt with glee, believing that the fall of Hosni Mubarak, America's friend, will only assist Syria's rise.

But wily as he is, Mr Assad would be wrong to relax. The regime's image, if not its core, has been rattled. "People now have an insight into alternatives, even if they don't want them yet," says one activist. And economic woes may yet force the issue. Syria may not have the sprawling slums of Cairo, but poverty is growing; it may have new universities, but their graduates are often unable to find jobs.

How much does Mr Assad want economic reform? Ministers are split between unaffordable socialism and painful moves towards the free market. Increasing prosperity and freedoms will involve dismantling a support force of loyal allies, army generals and security chiefs that is used to growing rich through corruption. It will also mean cutting subsidies for the masses.

In mid-January, spooked by events in Tunisia, the government increased the fuel subsidy for public workers. In previous years it had been gradually repealing such subsidies, in the interest of unbinding the economy. Now Mr Assad clearly feels less confident. Intellectuals and members of the opposition can be kept down by his security forces; the masses, when they stir, may be harder to handle.

Index | Briefing

Tunisia's revolution

Now what?

Feb 10th 2011 | *CAIRO AND TUNIS* | from PRINT EDITION

Putting the country back together

"WE'VE become so preoccupied by Egypt's revolution that we're neglecting our own," runs the joke in Tunis these days. Tunisians feel proud that their spark has ignited a regional upheaval. Yet more than three weeks after the departure of Zine el-Abidine Ben Ali for Saudi Arabia, the situation in Tunisia has still not stabilised.

Although the government is now rid of most ministers from the former ruling party, the Constitutional Democratic Rally (RCD), Mohammed Ghannouchi, the prime minister, remains. He has just appointed 24 provincial governors, 19 of whom are former members of the RCD. Across the country, civil servants and citizens have protested loudly about this. In several cases, they have prevented the new governors from taking up their jobs.

Even the functionaries at the Ministry of Foreign Affairs have staged a sit-in, claiming that Tunisia's new foreign minister, Ahmed Ounaies, does not represent the post-revolutionary mood. At state-run companies and institutions, directors are being forced out for being too close to the RCD.

Attempts are being made to calm things down, however. The Tunisian Senate has just granted the interim president, Fouad Mebazaa, wide powers to restore order, including making laws by decree. On February 7th the Ministry of Interior suspended the RCD, to which around a fifth of Tunisia's people belong. A new version of it may be constructed by Kamel Morjane, until recently a party leader and Mr Ben Ali's foreign minister. Meanwhile, politicians of all stripes-including Tunisia's historic Islamist movement, Ennahda, banned under Mr Ben Ali-are trying to found parties or revive dormant ones.

A more urgent problem is the economy. After six weeks of chaos, Mr Ghannouchi reckons damage to tourism, output and exports at $5 billion-8 billion, or 12-20% of Tunisia's GDP. Citizens are shouting for handouts outside welfare offices, and strikes are spreading. Britain has promised financial aid, and a group of visiting Euro-MPs thinks the European Union should do the same. There is even talk of a "Marshall Plan" for the southern Mediterranean to help countries going through political upheavals. Only a few months ago the same officials were keeping quiet about human-rights abuses under Mr Ben Ali's regime. But that was then.

Index | United States

Threatening a sacred cow

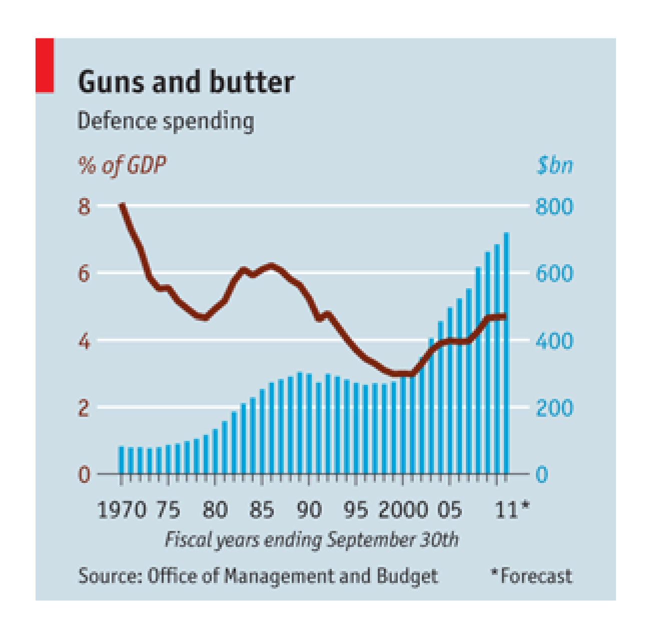
Feb 10th 2011 | from PRINT EDITION

America's fiscal crisis has put defence spending in the crosshairs



AMID all the agonising over America's ballooning debt, the once-sacrosanct defence budget, which represents half of all discretionary federal spending, is no longer off limits. Democrats, normally fearful of appearing soft on defence, are losing their reticence. Even some Republicans, urged on by small government militants from the tea-party movement, concede that defence has to be "on the table" if a serious assault on trillion dollar annual deficits is to be launched.

On one side of the argument are fiscal hawks like Rand Paul, newly elected senator from Kentucky, who fear that a national debt heading towards 100% of GDP by the end of the decade is in itself a menace to the nation and defence must take its share of the pain. The sheer size of America's defence budget puts it in the crosshairs. At around $700 billion a year including war expenditures, it as big as those of the world's next 20 highest military spenders combined. Last year American defence spending exceeded the average spent during the cold-war years by 50% (adjusted for inflation), while in the past 10 years it has grown by 67% in real terms.



Those on the other side, still the majority of Republicans, claim that at under 5% of GDP, defence spending is not particularly high by historic standards (see chart). They say that any cuts would be irresponsible given the extent of

America's commitments and the unpredictability of the threats the nation faces, not least military competition from a rising China, nuclear confrontation with Iran or the implosion of Pakistan. Somewhere in the middle of the debate sits Robert Gates, the widely-respected defence secretary.

Mr Gates, a canny operator whom Barack Obama retained after he took over from George Bush, began to sniff which way the wind was likely to turn in 2008. He calculated that if he took the initiative, he might stave off deeper and more unwelcome cuts. So he curbed or cancelled more than 30 weapons systems including the army's Future Combat System, the F-22 Stealth fighter, two missile defence systems and the Zumwalt-class destroyer. Last year he went further, proposing the closure of the Joint Forces Command in Virginia and a 10% reduction in the budget for contract workers for each of the next three years. He asked the armed services to find at least $100 billion worth of "efficiency savings" over the next five years, which he promised to reinvest in other programmes.

In early January, Mr Gates announced the results of these labours. He would be seeking a budget for next year of $553 billion (excluding war funding), a relatively modest increase over the current fiscal year's $549 billion. The money he had found from those efficiencies would be redirected towards unmanned aerial systems, new electronic jammers for the navy, a penetrating bomber and some other hardware upgrades. Under pressure from the White House, he added that there would be a further $78 billion worth of cuts over the next five years, marking a shift from "a culture of endless money" to one of "savings and restraint".

To that end, Mr Gates declared he was axing the marines' wildly over-budget Expeditionary Fighting Vehicle, a sort of floating tank (pictured above), putting the troubled jump-jet variant of the F-35 Joint Strike Fighter on probation and shrinking the army and the marines by up to 47,000 people after 2015 (when the transition to national forces in Afghanistan is supposed to be nearing completion). Just as controversially, he wants the insurance premiums paid by retired military personnel to be bumped up in an effort to slow rapidly rising health-care costs that have gone from $19 billion a decade ago to $50 billion today and are expected to reach $65 billion in five years time.

Buck McKeon, the Republican who now leads the House Armed Services Committee, has responded with predictable fury to the Gates plan, saying it was "a dramatic shift for a nation at war and a dangerous signal from the commander-in-chief". Mr Gates can take some comfort from the fact there has been at least as much "incoming" from critics who say he has not gone nearly far enough. They point out that what is being planned is not so much a cut as a small reduction on what the Pentagon had been planning to spend over the next four to five years. The budget will still creep up in real terms until it flattens off in 2015. Given his intention to retire from office later this year, Mr Gates may not have the stomach for attempting anything more radical on his watch.

Erskine Bowles and Alan Simpson, the co-chairmen of the bipartisan deficit commission that reported in December, called for a much deeper $100 billion cut in the annual defence budget by 2015. They recognise, however, that slashing procurement by 15% and R&D by 10% may erode America's technological lead over new rivals (ie, China).

Michael O'Hanlon of the Brookings Institution in Washington, DC, reckons that it should be possible to achieve a 10% reduction "in real-dollar non-war spending", or about $60 billion of savings, by the time of the 2017 budget. But he also notes that his target relates to what the budget would be based on current policy, not today's budget adjusted for inflation.

Mr O'Hanlon admits there would be risks in his plan. For example, America would not be able to fight two big ground campaigns simultaneously (something, he suggests, that after the experience of the past decade there would be little appetite for). But he points out that America's global alliance system of more than 60 countries, accounting for 80% of world military spending, remains formidably strong. Among powerful countries, only Russia and China are unequivocally outside it, while the likes of Iran, North Korea and perhaps Venezuela, Syria and Myanmar together account for no more than 2% of global military power. Mr O'Hanlon concludes that America may indeed be taking larger security risks with its fiscal than its military policies.

Index | United States

The jobs market

Where are the workers?

Feb 10th 2011 | *WASHINGTON, DC* | from PRINT EDITION

Troubling trends behind the falling unemployment rate

WHEN America's job market isn't disappointing, it's perplexing. Take the month of January, when a net figure of just 36,000 non-farm jobs was created. Even by the miserly standards of the current recovery, that was low.

But in the same month the unemployment rate tumbled to a 21-month low of 9% from 9.4% in December. Its drop since November, when it was 9.8%, is the largest over two months since the prosperous days of 1958. Which of these bits of news gives the truer picture?

One reason that America's jobs figures often send mixed signals is that they are drawn from two separate surveys. In this case, the survey of employer payrolls was almost certainly affected by snowstorms that ravaged much of the east of the country and which economists estimate may have kept 60,000 to 150,000 people away from work.

The survey of households, from which the unemployment rate is derived, tells a far more optimistic story. It finds that employment has surged by 882,000, or 0.6%, in the past two months, after adjusting for new estimates of America's population. This is more in keeping with other data, such as car sales and GDP, which suggest that the recovery is picking up steam.

Yet for several reasons the fall in unemployment should not be taken as evidence of a job market on a roll. First, it was inexplicably high to start with. According to Okun's law, an economic relationship that predicts how much unemployment will rise according to how GDP is doing, unemployment should be only about 8.5%, reckons Alan Krueger, a labour economist at Princeton University. So some of the latest drop may simply be an overdue statistical correction.

More troubling, unemployment in the past two years would have been even higher but for a disturbing lack of growth in the labour force: that is, the number of people either working or searching for work. Its growth has been slowing for some time because of the ageing population. After expanding by 1.3% a year in the 1990s, it grew by just 1% from 2000 to 2010, and the Congressional Budget Office predicts that over the next decade it will grow by only 0.7%.

Since the start of 2008 the labour force has not grown at all. One reason appears to be reduced immigration, both legal and illegal, because of diminished job opportunities and more effective border enforcement. In each of the past four years the Census Bureau has had to revise down the estimated Hispanic population, leading to smaller estimates of the overall labour force.



Not only is the population growing more slowly, the share of it in the labour force (that is, either working or looking for work), known as the participation rate, has also fallen. That rate commonly falls during recessions when some of the unemployed give up the search, go back to universities or training colleges or retire early. The decline usually reverses during recovery. Not this time: since the recession ended in mid-2009, the participation rate has kept on sliding (see chart). It has fallen most among the young, many of whom have stayed in education, and least among those over 55.

Most striking has been the drop for men aged 25-54, who have long had the highest participation rates. Some of these men will re-enter the labour market when the economy and job opportunities revive, but many will not. The participation rate of men has been declining for years, apparently because many who lost their high-paid, low-skilled jobs in manufacturing,

transport and construction have retired or registered as disabled rather than retraining. Julia Coronado, an economist at BNP Paribas, reckons a wave of early retirements by state- and local-government staff and manufacturing workers may explain the latest downturn. If these men never rejoin the job hunt, it would, paradoxically, help to bring the unemployment rate down faster. That might look like good news; but it is not.

Index | United States

The environment

Heated but hollow

Feb 10th 2011 | *WASHINGTON, DC* | from PRINT EDITION

Congress embarks on a rhetorical debate about greenhouse gases



Grilling Ms Jackson

WHILE campaigning to become chairman of the Energy and Commerce Committee of the House of Representatives, Fred Upton, a Republican from Michigan, vowed that he would grill Lisa Jackson, the head of the Environmental Protection Agency (EPA), in front of his committee so often that she would need her own parking space on Capitol Hill. On February 9th Ms Jackson submitted to her first interrogation, about one of the Republican Party's pet peeves: the EPA's plan to restrict emissions of greenhouse gases from cars and factories by decree.

That plan has been a long time in the making. During the administration of George Bush junior several states, frustrated by the administration's refusal to address global warming, sued the EPA. They argued that it was required to use its powers under the Clean Air Act, a law from the 1960s aimed first at smog and later acid rain, to declare carbon dioxide a

threat to the environment and public health and regulate it accordingly. The case eventually made its way to the Supreme Court, which decided in 2007 that the EPA did indeed have the authority to do this. But the Bush administration, which maintained that restrictions on emissions would raise the price of energy and so hurt the economy while doing little to help the climate, managed to prevaricate for almost two years before passing the buck to Barack Obama and Ms Jackson.

Mr Obama had said repeatedly during his presidential campaign that it would be preferable for Congress to regulate greenhouse gases, but that if it failed to act, the EPA should not shirk its responsibilities. So even as Congress debated how to handle global warming in 2009 and 2010, the EPA began drawing up regulations of its own. Last year it issued new emissions standards for cars, and set out a timetable for rules on large stationary sources such as cement plants and refineries. Meanwhile, the Democrats' proposed law curbing emissions, which had juddered through the House but stalled in the Senate, came to a complete halt when the Republicans took control of the House in November.

Congress is now considering several bills that would strip the EPA of its authority to regulate greenhouse gases. Mr Upton is the author of one such effort, which he has bluntly entitled "The Energy Tax Prevention Act". He, like many of his Republican colleagues, is sceptical about the connection between human activity and global warming, and adamantly opposed to increasing the regulatory burden on businesses when the economy is so weak.

Some Democrats, too, conscious of the electoral hay Republicans made of votes for "job-killing energy taxes", are keen to distance themselves from the EPA's efforts. Jay Rockefeller, a Democratic senator from West Virginia, has introduced a bill that would suspend the EPA's regulatory drive for two years-a step that would in theory give Congress more time to come up with regulations of its own. In practice, given the Republicans' reluctance to regulate emissions at all, it would simply delay any embarrassing headlines until after next year's elections.

Bills like Mr Upton's seem almost certain to fall foul of the Democratic majority in the Senate. Moreover, Mr Obama has said he will veto any bill that hobbles the EPA. Mr Rockefeller's bill, in contrast, may get enough Democratic support to get through the Senate, should the Republicans back it too. But that is far from assured. The Republicans are enjoying beating the Democrats over the head with the subject-witness Mr Upton's eagerness to cross-examine Ms Jackson-and would not want to give them any let-outs. And they are keen to play to their own base with displays of unflinching opposition to government meddling. Congress's intention in discussing global warming is no longer legislating, but electioneering.

The Catholic church

Chapter 11, verse 8

Feb 10th 2011 | *MILWAUKEE, WISCONSIN* | from PRINT EDITION

Facing mounting lawsuits, Catholic dioceses turn to bankruptcy

FOR the archdiocese of Milwaukee, the past looms large. Its main office is the Cousins Centre, named after William Cousins, archbishop from 1959 to 1977. The cathedral's pastoral office is the Weakland Centre, after Rembert Weakland, archbishop from 1977 to 2002. Victims allege that both men knew that certain priests had a history of molesting boys, yet failed to act or simply transferred the priests elsewhere. Last month the past caught up with the present: the archdiocese, besieged by lawsuits, filed for bankruptcy. The creditors' committee is due to hold its first meeting on February 11th.

Since 2002, when scandal erupted in Boston, more and more victims have sued the Roman Catholic church. As the number of suits has risen, so too has the number of dioceses seeking the protection of bankruptcy. Portland was the first diocese to file, in 2004; Milwaukee is the eighth. Each case is different. All are difficult.

Milwaukee has a particularly tortured history. It has been rife with scandal-a Father Lawrence Murphy was alleged to have abused some 200 deaf students, for example, and a convicted priest was sent to work with children in California. Yet civil suits have only recently proved successful. Plaintiffs in other states have charged the church with negligent supervision of priests, but this argument found little traction in Wisconsin's courts. Victims made progress, at last, in 2007.

The archdiocese, plaintiffs claimed, had committed fraud in the 1970s and 1980s by misrepresenting such priests to future victims. The state Supreme Court let that claim stand.

A wave of lawsuits followed and, on January 4th, the archdiocese filed for bankruptcy. The filing puts all the suits on hold. Jeff Anderson, the plaintiffs' lawyer, argues that the bankruptcy was timed to avoid an embarrassing trial. "It is part of a pattern," says Mr Anderson, who has brought hundreds of suits against various bits of the church, including one against the Vatican. The archdiocese says this is nonsense. Bankruptcy will simply allow it to deal with creditors equitably and settle claims more quickly than in a trial.

But the bankruptcy will hardly be speedy. All bankruptcies are complex, but those for a church are much more so, explains Jonathan Lipson, a law professor at the University of Wisconsin, Madison. Financial statements filed in the bankruptcy court on February 7th presage fights to come. The archdiocese presented $40.7m in assets, compared with $98.4m in its financial report last year. The discrepancy, the archdiocese says, is because certain assets are held in restricted trusts, largely for the care of cemeteries. Plaintiffs may view this differently. Pension liabilities present another complication for the bankruptcy judge, as religious groups are exempt from many federal pension rules. Yet the biggest fight may well be over parishes and schools. These are separately incorporated, the archdiocese contends, so their assets are protected. But the plaintiffs may argue otherwise-or simply sue the parishes themselves.

All this may drag on for years. But Peter Isely, of the Survivors Network of those Abused by Priests, remains hopeful. Bankruptcy, he says, will encourage victims to come forward and may eventually force the truth from the archdiocese. In Delaware, where a diocese filed for bankruptcy in 2009, a recent settlement included the release of internal church documents. Mr Isely repeats the refrain of many advocates for those who were abused. "Every victim", he insists, "has a right to know what bishops knew, when they knew it and what they did about it."

Index | United States

New England's fishing industry

Those in peril off the sea

Feb 10th 2011 | *NEW BEDFORD, MASSACHUSETTS* | from PRINT EDITION

New federal fishing regulations cause political outrage in the Bay State



So help me cod

NEW BEDFORD has always looked to the sea. In "Moby-Dick", Herman Melville wrote that "nowhere in all America will you find more patrician-like houses; parks and gardens more opulent, than in New Bedford. Whence came they?...from the Atlantic, Pacific, and Indian oceans." The "Whaling City" still relies on sea creatures. New Bedford is the nation's principal fishing port in terms of landed value. From the top floor of its whaling museum, Scott Lang, New Bedford's mayor, points out the ice-house which produces ice for fish storage, the tanks that hold boat fuel, the fish houses where fish are cleaned. He also notes the many boats, two and three deep along the docks. Seeing so many boats in dock would usually indicate a storm is coming, Mr Lang says. Now, it's an indicator of a regulatory tempest.

To prevent overfishing and to allow fish stocks to rebuild, federal officials set up a new regulation system last year. The old set-up limited the days fishermen could be at sea. Under the new system, New England's groundfish catch, mainly cod and haddock, is divided among co-operative groups of boats called sectors. Sector allotment is based on past catches and where they were. This new "sector management" allows fishermen to lease quotas from other fishermen. The National Oceanic and Atmospheric Administration (NOAA), which is the part of the Department of Commerce in charge of fisheries, also set new limits on the total catch.

Many fishermen think the new limits are unreasonably low. Mr Lang says two-thirds of New Bedford's boats have not left harbour since August. His city and Gloucester, another big Massachusetts fishing port, have asked for the limits to be lifted. A report compiled by the Massachusetts Marine Fisheries Institute found that catch limits could safely be increased by 30%. Deval Patrick, the governor of Massachusetts, sent the report to Gary Locke, the federal commerce secretary, along with a $21m request for economic relief. The state estimates that $19m has been lost in economic opportunities because of the catch limits. The Commerce Department and NOAA have denied the requests.

Eric Schwaab of NOAA acknowledges that the changes may be difficult for some. From May through November, New England fishermen brought in 6% fewer fish then they did over the same period in 2009. But revenues for the region are up 17% since the rules went into effect in May. And some fishermen don't mind the changes. Tom Dempsey, of the Cape Cod Commercial Hook Fishermen's Association, thinks the sector system is much better than the old one. Still, looking at a replica of a whaling ship in the museum, Mr Lang wonders whether groundfish boats will end up in a museum, too.

Index | United States

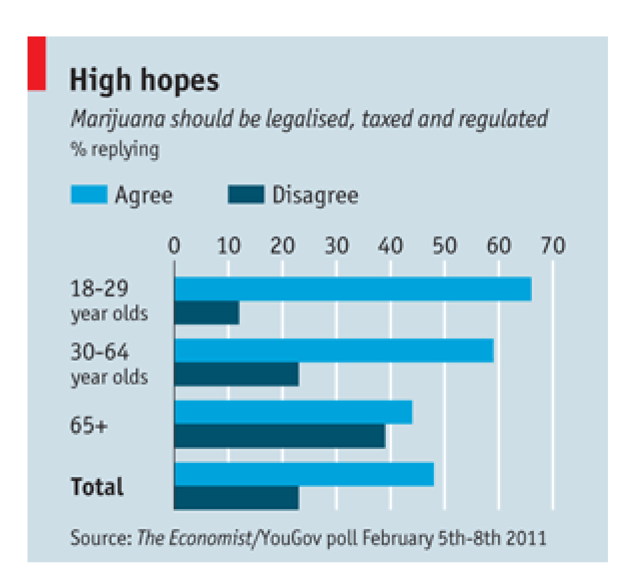
The Economist/YouGov poll

Happy toking

Feb 10th 2011 | from PRINT EDITION

Strong majorities for drug reform

THIS week's *Economist*-YouGov poll contains some exciting news for devotees of the weed. A huge majority of Americans, more than two to one once don't knows have been excluded, support the legalisation and taxation of marijuana. Even without excluding the don't knows, a clear majority favours treating the drug equivalently to tobacco and alcohol.



The data (see chart) reveal some interesting patterns. In every age group, more people favour than oppose legalisation. Predictably enough, the young are very strongly in favour, but babyboomers are almost as strongly so; and even those over 65 are narrowly in favour as well. Breaking the poll down by party, one finds that Republicans as well as Democrats are in favour, though the former much more narrowly so.

If our poll is right, then it can only be a matter of time before laws start to change, at least in the more liberal states. A ballot initiative that would have legalised the sale of marijuana was only narrowly defeated in California last November, possibly losing some potential supporters because the drug is already very widely available and possession is no longer treated as a crime. The full poll, which also shows Barack Obama's ratings continuing to improve, is available online.

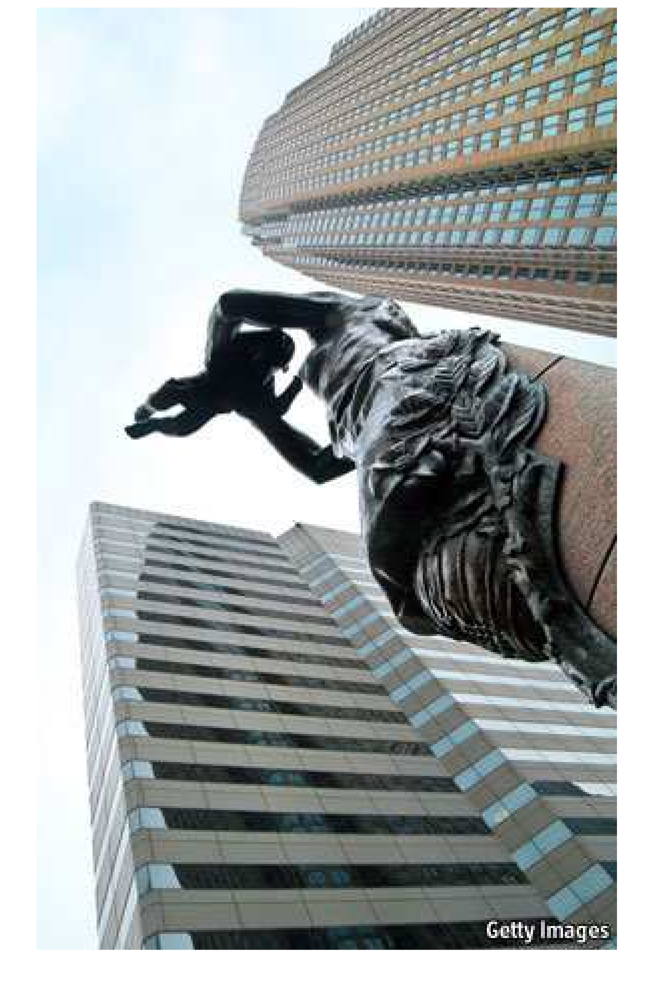
Index | United States

Charlotte and the Democratic convention

Changing leagues

Feb 10th 2011 | *CHARLOTTE* | from PRINT EDITION

What landing the convention says about North Carolina's biggest city



RECKLESS gamble or sign of serene confidence? The Democrats' choice of Charlotte, North Carolina, for the site of their 2012 convention has raised more than a few eyebrows. Cleveland, Ohio; St Louis, Missouri; or Minneapolis, Minnesota, would all have made a lot of sense. All three are in vital swing states that Barack Obama must win if he is to hang on to his presidency that year. By choosing Charlotte, Mr Obama has taken the fight to difficult terrain. Yes, he won the state in 2008, but he was the first Democrat to do so since Jimmy Carter (from neighbouring Georgia) did it in 1976. The other three states are a lot more winnable.

As for what the choice means to Charlotte, that is simpler. Three days after the announcement and 16 storeys above downtown Charlotte, Michael Smith-who heads Charlotte Centre City Partners, an urban-planning and development organisation focused on the city's core-put it simply: "We're changing leagues."

If Mr Smith is talking about perception, he has a point: unlike St Louis and Minneapolis, Charlotte has never hosted a political convention. It is not the state capital. It is the smallest (though the fastest growing) of the four cities that fought for the convention. It has a couple of professional sports teams, the NASCAR Hall of Fame, a sleek new light-rail system and a decent but hardly remarkable smattering of museums and theatres. It seems just one of several pleasant, medium-sized cities-such as Knoxville, Richmond and Norfolk-between Washington, DC, and Atlanta.

In the world of banking and financial services, however, it is already in the premier league. Charlotte's two biggest banks-Bank of America, the country's largest, and Wells Fargo, which, though headquartered in San Francisco, has maintained a strong presence in the city since taking over Charlotte-based Wachovia at the end of 2008-employ around 35,000 people. In banking Charlotte is second only to New York among American cities. The crisis has taken its predictable toll: in the past four years the financial services industry shed around 10,000 jobs, and personal incomes have fallen sharply.

Some of those 10,000 jobs have returned. The region's unemployment rate at the end of last year fell from 11% to 10.7%-though that still exceeds both state and national rates. And another industry seems poised to rise in Charlotte: energy. The city is home to around 240 companies-among them Siemens, Westinghouse, AREVA, and Duke Energy, which on January 10th announced that it would buy Progress Energy for $13.7 billion. If regulators approve the deal, Duke would become America's biggest utility, measured by customers and generating power.

The University of North Carolina, Charlotte houses the Energy Production and Infrastructure Centre, which trains engineers to work in the energy industry. And Charlotte has embarked on a project aimed at reducing electricity use by buildings in the city's urban core by 20% over the next five years. Jim Rogers, who heads both Duke Energy and the city's successful Democratic-convention bid, says he wants to turn the city into an energy hub for the south-eastern region. What

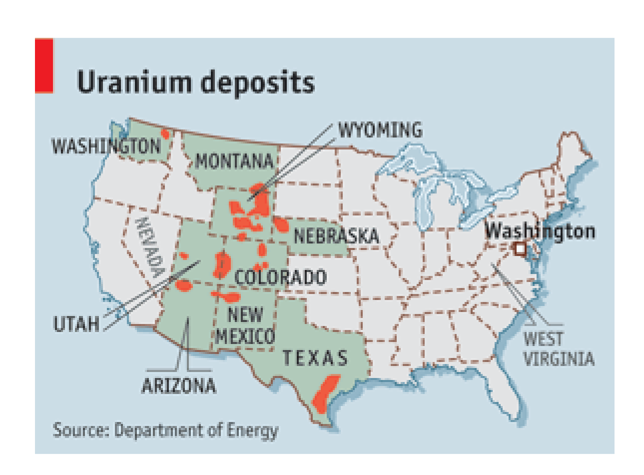
that means for Charlotte's long-term future remains to be seen. But between now and next summer, the city is sure to be a hub for a lot of energetic Democrats.

Uranium mining

Not fair, they say

Feb 10th 2011 | *BOULDER, COLORADO* | from PRINT EDITION

An attempt to make miners pay



ONE might not have too much sympathy for fossil fuel companies, currently enjoying all the benefits of high coal and oil prices. But they are crying foul in their competition with an (admittedly undersized) non-hydrocarbon fuel-uranium. According to America's mining act of 1872, framed at a time when spurring development of the wide-open West was all the rage, no government agency can refuse a mining permit on federal land, or charge a royalty. And uranium is treated just like other hardrock minerals such as gold and copper. Oil, gas, coal and timber companies, by contrast, all have to pay substantial royalties, of up to 12.5% of gross income, when they extract from federal lands.

The most ardent critic in Washington, DC, of the relic that favours the uranium business has been Nick Rahall. A Democrat from West Virginia, a big coal state, Mr Rahall was chairman of the House Natural Resources Committee until the Democrats lost the House at the mid-term election. His bill removing the anomaly passed the House last year, but has been blocked in the Senate, thanks in part to the opposition of the Senate majority leader, Harry Reid of Nevada, the son of a goldminer and a man in no hurry to slap the hand that feeds his state.

"The overall public policy debate is why should hardrock mining get this exalted position?" says Roger Flynn, a mining lawyer and founding director of the Western Mining Action Project in Lyons, Colorado. "The big issue is to make mining (companies) equal players on public land." Mr Rahall's measure would have required hardrock mining companies of all varieties to pay the federal government royalties of 8% of gross income on new claims and 4% on existing claims.

The uranium industry argues (of course) that charging its members royalties could discourage activity and so jeopardise national security. But even if the new Congress, or for that matter the Obama administration itself, show little inclination to shake up the 1872 mining law, a lawsuit filed by several environmental and Native American organisations against several federal agencies may. The case, filed in a federal court in Washington, DC, challenges the government to have hardrock mining companies pay "fair market value" for use of federal lands for operations proposed on lands not covered by valid mining claims.

Lexington

A marriage of inconvenience

Feb 10th 2011 | from PRINT EDITION

What an Arab democratic spring will mean for America's relations with the Jewish state



BRITAIN'S is based on history and showing its age. Geography dictates that Canada's and Mexico's will stay strong. Saudi Arabia's will endure as long as America needs to buy its oil. The one with Hosni Mubarak (though not the one with Egypt itself) was dropped like a hot potato once the protests began.

America, in short, is both promiscuous and flighty when it comes to "special" relationships. One of the most fascinating is its long-standing fling with Israel. What, exactly, does America see in the Jewish state? And is the relationship in danger from the wind of change rattling Egypt and the wider Arab world?

These questions are best tackled in reverse order. It is easy to see why an Arab democratic spring might chill relations between America and Israel. The peace between Israel and Egypt was made between leaders, not peoples. That hardly mattered when the people of Egypt, like other Arabs, had no voice. But it will matter once they find one. Right now, the demonstrators in Tahrir Square are demanding their own freedom, not Palestine's. But the statelessness of the Palestinians remains the great unifying cause of the Arab world. So even Israelis acknowledge that if Arab leaders have in future to respond to the wishes of their people they will become more hostile to Israel-and, by extension, to Israel's American paramour. In that case, if America's relationship with Israel was a marriage of convenience, like the one it has just annulled with Mr Mubarak, America might begin to see the case for a divorce, or at least some separation.

But, of course, America's attachment to Israel is not a marriage of convenience. It looks a lot more like true love. Listen to all the sweet talk, for a start. Even Barack Obama, who in his desire to mend America's relations with Islam has been tougher on Israel than many presidents, goes misty-eyed when he harps on the "special relationship". It is founded, he says, on "shared values, deep and interwoven connections, and mutual interests". And the billing and cooing is the least of the evidence. The strongest proof of America's feelings for Israel is all the inconvenience America puts up with for the relationship's sake.

Some American friends of Israel argue gamely that Israel is a strategic asset to the superpower, a doughty democracy that provides intelligence, high technology, storage for American weapons and so forth. But that was an easier argument to make during the cold war. More recently, the benefits have been eclipsed by the costs. These range from the billions American taxpayers give Israel and Egypt to underwrite the 1979 peace, to all the resentment America's Muslim allies harbour towards the superpower for being soft on the oppressor of the Palestinians. Its help to Israel may not be al-Qaeda's main grievance against America, but in the war on terror this past decade Israel has surely been more of a liability than an asset in the contest for hearts and minds.

Far from being a marriage of convenience, in other words, it is a marriage of inconvenience. So is it a case of true love? Some Americans, refusing to accept this explanation, argue that although Israel is not linked to America by history, like Britain, or by geography, like Canada and Mexico, its relations with the Jewish state are entangled to an unusual degree in domestic politics. Harry Truman decided to support Israel's founding after relentless lobbying. "I have to answer to hundreds of thousands who are anxious for the success of Zionism," he grumbled. "I do not have hundreds of thousands of Arabs among my constituents."

Since then, the power of the pro-Israel lobby in Washington has grown stronger, assuming epic proportions in some imaginations. Two American academics, John Mearsheimer and Stephen Walt, made the claim in a book in 2007 that without the Israel lobby George Bush would not have invaded Iraq. That is an exaggeration, to say the least. But the powerful congressional resistance Mr Obama bumped into last year when he tried to enforce a settlement freeze in Jerusalem and the West Bank almost certainly played some part in the failure of America's latest peacemaking initiative in Palestine.

Still, to explain America's intimacy with Israel through the political power of America's Jews is to miss half the story. In recent decades a far broader range of Americans, including evangelical Christians but not only them, have joined the love affair.

Trust in old faithful

No matter how desperate the lot of the Palestinians, polls show that Americans feel greater sympathy for Israel, a country they can identify with. And if some Democrats have lately become somewhat readier to criticise Israel, the Republicans have more than compensated in the other direction. Most conservatives, especially since the 2001 attacks, see Israel as a beleaguered democracy that shares America's Judeo-Christian values. For some this article of faith has become a subtle line of attack against Mr Obama, whom they deem too hard on Israel and (nudge, nudge) insufficiently Judeo-Christian himself. Republicans want to slash foreign aid, but not the aid to Israel. And while demonstrators thronged Cairo last week, Mike Huckabee, who may seek the Republican presidential nomination again, was declaring from Israel that it was "racist" to stop Jews settling in the West Bank.

Against this backdrop, with a Republican House and a presidential election less than two years away, Israeli fears of abandonment look unwarranted. America will be faithful. But it will have to pay a higher price for its fidelity in an Arab world whose leaders no longer dare to ignore the preferences of their people. The best way to escape this trap would be for America to win the Palestinians their state. In that event, Arabs in general might be willing to make a people's peace with Israel. But it was hard enough to negotiate a compromise when the autocrats were in charge. Finding one the masses accept will be harder still.

Economist.com/blogs/lexington

Canada's prime minister

The circumspect and circumscribed Conservative

Feb 10th 2011 | *OTTAWA* | from PRINT EDITION

Stephen Harper has proved remarkably durable by curbing his instincts. Can he now remake his country?



STARTING a conservative revolution in Canada was never going to be easy. It is a socially liberal place, proud of its welfare state and ruled for 79 of the past 115 years by the centre-left Liberal party. The first time Stephen Harper led the Conservative Party in a general election, in 2004, it finished a distant second to the Liberals, who saw themselves as Canada's "natural governing party". Two years later, with the Liberals crippled by a kickback scandal, the Conservatives did well enough for Mr Harper to form a minority government. An evangelical Christian and economic libertarian, he vowed to turn a would-be "second-tier socialistic country" into one that "the Liberals wouldn't even recognise".

Five years on, Mr Harper has pulled off two surprises. The biggest is that he is still prime minister, despite failing to win a majority in a subsequent election in 2008, making his the longest-serving minority government in Canada's history. The second follows in part from the first: Canada remains a country that the Liberals can recognise perfectly well, with big government and social liberalism largely intact. "He emerged from the movement. He was going to be our Ronald Reagan," says Gerry Nicholls, a former colleague of Mr Harper's. "But he's become what he's always opposed. If he destroys the Liberal party by becoming it, what's the point?"

In this view Mr Harper is at heart an incrementalist, putting power above ideology despite his occasionally strident rhetoric. Some of Mr Harper's supporters-and his opponents-retort that he has been as conservative as possible, and that he would become a Canadian Reagan if voters would only give him a majority. They may well have another chance this year, with a budget battle looming in March that could send Canadians to the polls again. "We don't want an election," says John Baird, the minister responsible for managing government business in the House of Commons. "But if the opposition wants to provoke one, we're ready."

No one disputes that Mr Harper has realigned Canadian politics. After a catastrophic defeat in 1993, the Progressive Conservative party (as it was then named) split into two rival parties, allowing the Liberals to win big majorities with just 40% of the vote. It was Mr Harper who reunited the right while the Liberals have struggled under weak leaders, and against two other parties to their left. Mr Harper has added to their troubles by reducing the maximum campaign contribution from C$5,000 ($5,034) to C$1,000, preventing the Liberals from relying so heavily on their stable of big donors.

In matters that the prime minister controls directly, such as foreign policy, he has ruled from the right. He has improved relations with the United States, vocally backed Israel's right-wing government, sent more Canadian troops to Afghanistan, asserted Canadian sovereignty in the Arctic, and barred foreign-aid money from going to groups that perform abortions. He even shut down parliament for two months in an apparent attempt to shield his officials from questioning over Afghanistan. In economic policy he has cut corporate and sales taxes, and scrapped a Liberal child-care scheme, replacing it with tax credits for having children. He also won votes in parliament to increase the budget for police officers, jails and the armed forces-C$16 billion of which will go on new fighter jets. And although he has not sought to overturn a parliamentary vote that requires Canadian troops to leave Afghanistan this year, he has said 1,000 will stay on as trainers.

But at home Mr Harper has steered clear of controversial issues such as abortion, gay marriage and-though it is something he personally favours-the death penalty. Even before the financial crisis began, he ramped up public spending. Much of the increase went to the provinces, particularly Quebec, which he officially recognised as a "nation" in 2006 (a cause he

had previously opposed). He allowed the opposition to bully him into an economic stimulus programme in 2009 to mitigate what turned out to be a fairly mild recession. He has offered a tax break for using public transport.

Will this caution help Mr Harper win a majority at last? In 2008 the Conservatives managed to squeeze an extra 19 seats from an increase of just one percentage point in their share of the popular vote. But they still fell 12 seats short of a majority. That was mainly because the prime minister's gibes against public funding for the arts and plans for stiffer sentences for young offenders backfired in Quebec, Canada's most socially liberal province.

As well as the budget's corporate-tax cuts, Mr Harper's plans to remove the main public subsidy for political parties and for placing Canada within an American "security perimeter" may also trigger an election. The Conservatives and their dour, cold prime minister have been stuck in the high 30s in the opinion polls for years, whereas pundits reckon that 42% is needed for a majority. But their campaign strategists are both more skilful and more ruthless than their Liberal counterparts. They marked the Conservatives as the party of Tim Hortons, a popular blue-collar coffee-and-doughnuts chain; they tar Michael Ignatieff, the Liberal leader who is a writer and journalist, as an elitist kind of guy who would prefer Starbucks.

Given a majority, Mr Harper might be bolder. "He's been open in stating what his ambitions are. His agenda is to make Canada more conservative and to make the Conservatives the dominant party," says Lawrence Martin, the author of a book on the prime minister. The question is whether a majority of Canadians want that-or whether they are perfectly happy with their circumscribed government.

Index | The Americas

Electricity in Brazil

Don't mention the B-word

Feb 10th 2011 | *SÃƒO PAULO* | from PRINT EDITION

Hungry for power

IT WAS not a "blackout", said Edison Lobao, merely a "temporary interruption of the electricity supply". Brazil's energy minister was speaking on February 4th after nearly 50m people across eight states in the country's north-east had spent most of the night without power. Engineers are still investigating, but their preliminary conclusion is that a component in a substation failed just after midnight. That caused safety systems to malfunction, and transmission lines and then a power station to shut down.

Mr Lobao is trying to reserve the b-word for something more serious, which his government is determined to avoid: a big and sustained mismatch between electricity supply and demand. That last happened in 2001-02, after decades of growing energy use and low investment were followed by drought (70% of Brazil's power comes from hydroelectric dams.) Back then, only rationing kept the lights on, and the after-effects dampened demand for some years.

Electricity use is growing strongly once more, rising by 7.8% last year. That is partly because Brazil's economy is booming. But even if this changes, power use is unlikely to fall. Brazilians who have recently levered themselves out of poverty would give up much else before unplugging their first-ever fridges and washing machines. *Luz Para Todos* (Light for All), a government rural-electrification programme launched by Dilma Rousseff, the president, when she was energy minister, has hooked up more than 2.4m homes since 2003, and is continuing. The government reckons demand for electricity will rise by 5% a year over the next decade. Officials plan to mobilise investment totalling some 214 billion reais ($128 billion), from both private and public sources, in order to meet it.

Some of that will go on new fossil-fuel and nuclear plants, and some on biomass and wind energy. But the biggest chunk is for new hydroelectric projects. They are controversial, particularly the Belo Monte dam approved for the Xingu, a tributary of the Amazon in the northern state of Para. This has been redesigned to avoid throwing a huge wall across the river. But it will still be Brazil's second-biggest hydroelectric plant (after Itaipu), generating up to 11,230MW, will flood 500 square kilometres and will displace 20,000 people, mainly Indians.



On January 26th the environment ministry gave contractors the go-ahead to start clearing land for Belo Monte. Like other big projects, it has been repeatedly delayed by legal challenges from environmentalists, who prefer biomass, wind and energy-saving measures, and by the need to obtain environmental licences at each stage. Those are reasons why Brazilian firms want to build dams across the border in Peru (see article). It would be better for Brazil's government to decide on each scheme according to the overall trade-off between energy security and environmental protection, with the environment ministry thereafter restricting itself to overseeing implementation, says Rodrigo Moita, an energy specialist at Insper, a Sao Paulo business school.

One way or another, Brazil is likely to avoid a new energy crunch, concluded a recent study by IPEA, a government-linked think-tank. But both cost and reliability are growing problems. Taxes mean that on average electricity costs two-thirds more in Brazil than in the United States. But the IPEA researchers expect the average price to rise further. Relying on hydro-generation in the Amazon means that electricity supply will be vulnerable to droughts and depend on long distribution lines to bring power to the populous south. These will be hard to maintain.

The strain is starting to show. Brazil suffered 91 big blackouts during 2010, up from 48 in 2008. In big cities short, localised power cuts are becoming common. One occurred when *The Economist* recently visited the research laboratory in Rio de Janeiro of Petrobras, Brazil's oil giant. They have been happening at least once a week this (southern-hemisphere) summer, said the lab's boss. Brazilians may have to get used to "temporary interruptions" every time they turn up their air-conditioners.

Peru's energy ambitions

Hydro-powered dreams

Feb 10th 2011 | *LIMA* | from PRINT EDITION

Hopes and fears of a regional energy hub



AT LESS than 8,000MW, Peru's total electricity-generation capacity is modest, barely matching four modern nuclear power stations. But President Alan Garcia's government reckons it could produce almost eight times as much power just by harnessing the country's Amazonian rivers, let alone using increasingly plentiful supplies of natural gas, and wind and solar power. The government has big ambitions to turn the country into a regional energy hub, exporting electricity to Brazil and Chile. Some of these plans are starting to be put into effect. And they look set to generate some equally big protests.

Last year the government signed an agreement under which Peru will export up to 6,000MW of electricity to Brazil, a plan that would involve mainly Brazilian companies investing around $20 billion. After Mr Garcia visited his Chilean counterpart, Sebastian PiÃ±era, last month, the two governments agreed to set up a joint energy-study group. A transmission line connecting Peru and Ecuador was built a few years ago, but has rarely been used because the two countries have been unable to agree on a price for electricity.

Green groups are mobilising against the proposed hydroelectric dams. Their first target is a $4 billion, 2,000MW dam at Inambari, in Peru's south-eastern jungle (see map). This would flood around 400 square kilometres. The protests against it are backed by the regional government. Another dam proposed by a Brazilian consortium, at Paquitzapango, has been stalled by the energy ministry. Leaders of the Ashanikas, an Amazonian tribe, complained that it would displace 10,000 people.

The government's plans centre on the MaraÃ±on river, which it calls Peru's "energy artery", with the capacity to generate 10,000MW from six dams. But local people along the river say they have not been consulted about the hydroelectric schemes. That is par for the course of Mr Garcia's government, which tends to approve mines and oil concessions and only start consulting afterwards.

Exporting electricity to Chile, which grabbed a chunk of Peru's territory after a 19th-century war, is also controversial. Nevertheless, the energy ministry proposes to grant a concession to build a 1,500MW fossil-fuel power station near the border. This would use natural gas from Peru's big Camisea field. Work is due to start this year on building a pipeline from Camisea to the border. The government reckons it can sell electricity to mines in Chile's northern desert.

To nationalist politicians, that smacks of powering the enemy. Officials respond that linking up the two country's electricity grids is part of South American integration, a progressive goal to which even their opponents pay lip-service.

Index | The Americas

Crime in the Caribbean

In the shadow of the gallows

Trinidad debates the death penalty

"WE NEED the death penalty...that is the word of God," said Benjamin Agard, a Pentecostal pastor, in his funeral sermon last month for Cecil Carrington, a retired police officer shot dead by bandits at the small hotel he owned on Trinidad's windswept east coast. The funeral came a fortnight after Trinidad and Tobago's prime minister, Kamla Persad-Bissessar, promised to remove legal obstacles to hanging, offering a parliamentary debate on February 18th.

Her stance is popular across the English-speaking Caribbean, where murder rates have soared since the 1990s. Her country suffered 472 killings last year-close to 5% of all deaths. In 1999 there were just 93. Almost everyone can name a friend or relative who has met a violent end. Last year's murder rate, of 36 per 100,000 people, was seven times that in the United States and 30 times that of Britain. But it trailed Jamaica (53), Belize (42) and tiny St Kitts-Nevis (40).

Rulings from the London-based Privy Council, still the final court of appeal for most of the region, have made it much harder to use the noose. The most important was a judgment, in 1993, which held that execution cannot take place more than five years after sentencing. In practice, exhausting all routes for appeal usually takes much longer than that.

Overturning Privy Council rulings requires a constitutional amendment. In Trinidad that needs a three-quarters majority in parliament, and hence opposition support. Barbados, a much more tranquil island, completed a similar process in 2002, but has made no moves to hang anyone since. With anger running high over violent crime, Trinidad and Tobago is unlikely to take this relatively laid-back stance. If the opposition were to be brave enough to resist hanging, it would be blamed for every subsequent murder.

Many politicians privately admit that hanging will not halt crime. The death penalty hardly acts as a deterrent, since only a tiny proportion of murderers are arrested, tried and convicted. Ten men were hanged in Trinidad in 1999, nine of them members of the Dole Chadee gang, a notorious drug mob. But killings resumed in a fortnight.

The most recent Caribbean hanging was in St Kitts-Nevis, a few days before Christmas in 2008. With only 50,000 people, the country had been shaken by 23 murders that year. The next year there were 27. In practice, even in Caribbean islands where hanging is not carried out, murders are often followed by the death of the perpetrator, gunned down either in gangland reprisals or by the police.

If they really wanted to stem the violence, politicians would do better to try to stem the trade in illegal guns, which are plentiful and cheap. Trinidad and Tobago's foreign minister noted last month that many arrive on drug boats from South America. But his government in September cancelled an order for three 90-metre patrol boats, which with planned helicopter support and an existing fleet of smaller boats and coastal radar might have staunched the flow. Other guns are rented to criminals by police or soldiers, said the national security minister.

The police and the judiciary also need reform. For its part, Trinidad and Tobago's overstaffed intelligence agency was caught last year tapping the phones of the country's president and several journalists, but it has had little impact on the drug gangs.

Mrs Persad-Bissessar's People's Partnership coalition swept to power last May, with a manifesto that did not mention hanging. She promised a "multi-pronged approach" to the "political, economic, social, technological and managerial dimensions" of security. "Punitive sanctions alone" would not solve the problem, the manifesto declared. But voters seem to want quick fixes. They should study Suriname, which suspended the death penalty decades ago, and suffers just four murders a year for every 100,000 people.

Index | Asia

Pakistan's populist judges

Courting trouble

Feb 10th 2011 | *ISLAMABAD* | from PRINT EDITION

An overactive judiciary might undermine a fragile democracy



PAKISTAN'S chief justice, Iftikhar Muhammad Chaudhry (pictured above), is riding high. At a time when most of the country's political leaders are despised as venal, lazy or inept, its senior jurist is held in esteem. People tell pollsters they trust him more than anyone. They cheer his efforts to take on the corrupt and hapless president, Asif Ali Zardari. Yet Mr Chaudhry may be crossing a line from activist judge to political usurper.

His judges pass up no chance to swipe at the government. Mr Chaudhry spent months trying to get Swiss officials to reopen a corruption case that could have toppled Mr Zardari (in Pakistan, criminal proceedings against a sitting president are prohibited). After that failed, the courts took up a thin-looking case in which the president is accused of unconstitutionally holding an office for profit. That looks vindictive: the office in question is his post as head of the ruling Pakistan People's Party.

The courts quickly adopt populist causes, especially those that squeeze Mr Zardari. After an American diplomat shot dead two men in the street in Lahore last month, the mother of one victim appealed for justice on television, saying that she would trust only Mr Chaudhry to help. The High Court in Lahore promptly ordered that the diplomat, who had been arrested, must not be allowed out of the country-even if the government were to rule that he had immunity. In this case, as in many others, the judges have shown themselves to be able self-publicists. Their stance has won approving coverage.

And on the country's illiberal but widely popular blasphemy law, the Lahore High Court intervened to forbid the president from issuing an early pardon to anyone convicted by lower courts. Before the murder last month of Salman Taseer, the governor of Punjab and critic of the blasphemy law, Mr Zardari had told him he was planning such a pardon. The courts seem set on boxing him in.

Perhaps the most striking evidence of judicial activism is in economic policy. In a speech in India on February 6th Mr Chaudhry lashed out at the IMF and other international bodies for imposing what he said were hypocritical policies on poor countries. That seemed intended to play well at home, just as the IMF and the government are trying to increase the tax take (only 2% of Pakistanis pay tax) and cut subsidies-unpalatable but needed medicine.

Judicial figures have meddled egregiously in economic affairs before. The courts have tried to fix the price of staple commodities such as petrol and sugar, to public cheers. But in 2009 attempts predictably missed their mark as producers hoarded stocks and the black-market price soared. It is not the court's job, says Hasan Askari Rizvi, a commentator, to enter the executive's domain.

The judiciary's various efforts suggest that Mr Chaudhry is as keen as any politician to curry public favour. He likes to talk up his part in pushing out the old military regime of General Pervez Musharraf, now in exile in London. (This week the general was named as an accused by investigators looking into the 2007 murder of Benazir Bhutto.) Yet for all the

judge's talk of his "commitment to the core values of democracy", he first accepted his post from General Musharraf in 2005, some six years after democracy was overthrown.

Adaptability is matched by appreciably greater clout. In January the 19th amendment to the constitution was signed into law, giving judges a freer hand in making judicial appointments, at the expense of politicians. An independent judiciary is welcome, says Samina Ahmed of the International Crisis Group, yet it is striking how hard the judges fought to reject any elected oversight. Now Mr Chaudhry is out to settle scores with nine senior judges accused of contempt of court for accepting jobs late in Mr Musharraf's rule.

On one interpretation, all this may add up to nothing too sinister. A degree of judicial activism is needed if Mr Zardari's government is not to enjoy an easy ride. The opposition pulls its punches, despite the government's wretched failure in coping with huge floods last year, and its lack of progress in tackling widespread graft, reviving the economy or putting down extremist violence. Nawaz Sharif, the main opposition leader, seems not to want to bring down a civilian government before elections are due. Perhaps he does not want to rule yet, given Pakistan's mess. Or perhaps he fears giving the army an excuse to meddle openly in politics yet again.

Another, and more troubling, interpretation is also plausible. Maybe, some observers say, the judges are getting too big for their wigs precisely because they have army support. Mr Chaudhry, witting or not, may be helping to create the conditions in which the men in uniform step in again one day. The example Pakistanis cite in private is Bangladesh's stealthy coup in January 2007. At that time the army, fronted by technocrats, pushed aside corrupt party politicians and scrapped elections, with the tacit support of donors.

Ahmed Rashid, a Pakistani author, notes "extraordinary co-operation" between the judges and the army in recent years in Pakistan. He points out how rarely judges pursue cases of human-rights violations by soldiers, whereas cases that hurt the government fly into the courts. The army chief, General Ashfaq Kayani, a more introverted figure than his predecessor, does not seem to want to take power right now. But a further collapse of order in Pakistan, which is increasingly described as a failing state, might encourage the soldiers to act. Mr Chaudhry should take care that he does not become their fall guy.

Index | Asia

Japan's sumo scandals

Tipping point

Feb 10th 2011 | *TOKYO* | from PRINT EDITION

Removing the rot from the sport of emperors



They rue their texting

"WE WILL not be able to show sumo in the ring until all the pus is removed," says Hanaregoma, chairman of the Japan Sumo Association (JSA). The rot this time is match-fixing. Fans are angered, and sponsors fleeing. Japan's sports ministry is considering yanking the JSA's public-interest status, which gives it tax breaks. In an unprecedented move, sumo's governing body cancelled the spring *basho*, a 15-day tournament that was to begin on March 13th. Instead, the JSA says it will investigate and punish those involved.

Bout-rigging has been alleged for decades. Retired wrestlers occasionally admit it. In 1996 two former wrestlers about to go public with evidence died of a rare respiratory illness within hours of each other (no wrongdoing was found). A statistical examination of bouts over 11 years by University of Chicago economists clearly identified rigged matches (to let borderline wrestlers retain their rank). Still, the JSA always denied foul play. The body even sued those who dared to disparage the sport of emperors, which traces its lineage back more than a millennium.

Today's charges will be harder to evade. Evidence is provided by erased but reconstructed text messages on the mobile phones of a dozen wrestlers and stablemasters. These were confiscated by police during an investigation last year over sumo's links to baseball betting (illegal in Japan) and ties to the *yakuza*, Japan's mob. "Who do I owe a win to now?" one wrestler texted another last March. "Will you let me win at the next tournament? If not, I want the 200,000 back," texted another in May, according to police leaks to the media.

The scandal is just one of many in recent years. In addition to gambling and *yakuza* links, the image of sumo has suffered from wrestlers' drug use and from violent hazing that led to the death of one recruit in 2007. Asashoryu, a Mongolian and one of the greatest wrestlers of all time, was forced to resign last year after his antics culminated in a drunken nightclub brawl. Sumo derives its traditions from shintoism, formerly the state religion. The highest standards are expected.

Yet ordinary Japanese appear as upset by the JSA's lack of accountability as by wrestlers' shabby behaviour. The governing body is made up of about 100 former wrestlers who run the training stables. Though technically overseen by the sports ministry, the JSA acts as a law to itself. As each scandal flared, the association fended off outside scrutiny. It even tried to deal by itself with the matter of the dead recruit, until his family kicked up a fuss by refusing to cremate the body quickly.

Over the past year, the sports ministry has pushed for an outside panel to supervise the JSA. It has forced the association to accept sumo outsiders as members of its governing board, and even named one-pointedly, a former prosecutor-as acting chairman for a month during the betting scandal. Now the JSA suggests that match-fixing involves only a handful of bad apples. Few people believe that. When it says it wants to remove the pus, the JSA may need to rid the sport of itself.

Index | Asia

Grass-roots revolt in Japan

Maverick as hell

Feb 10th 2011 | *NAGOYA* | from PRINT EDITION

Some see a tea party brewing in Japan's hinterland

IT WAS hardly a "mad-as-hell" moment, but still. On learning on February 6th that he had won a landslide re-election victory as mayor of Nagoya, one of Japan's biggest industrial cities, Takashi Kawamura put on a pair of black rubber boots while a small group of supporters threw buckets of cold water over his head.

Hours later, with a nod to America's tax-cutting rebels, Mr Kawamura declared that a kind of tea party had been born in Nagoya. He sat alongside his political ally, Hideaki Omura, who on the same day thrashed his rivals for the governorship of the surrounding prefecture of Aichi, home to Toyota. It was hard to judge how serious they were, not least because, dressed in anoraks, they looked like the Two Ronnies, a 1970s British comedy duo. "This is a citizen's revolution," Mr Omura declared.

The national media dismisses the election results as a provincial fuss, saying that voters were simply fed up with Prime Minister Naoto Kan's Democratic Party of Japan (DPJ), along with its main rival, and will back any alternative, however quirky. Yet the vote bodes ill for Mr Kan ahead of April elections for 13 governors, 44 prefectural assemblies and umpteen mayorships and municipal assemblies.

The media may be missing a trick. Nagoya citizens not only gave Mr Kawamura three times the votes of his DPJ rival. Nearly three-quarters of them supported a referendum to dissolve the current Nagoya assembly, an unprecedented revolt.

Should Messrs Kawamura and Omura manage to stuff the new assemblies with their supporters in the spring elections, they could help unleash forces of decentralisation in Japan. Both intend to merge the city and prefectural governments, to create a regional block to draw investment and jobs away from Tokyo and help reshape government to cope with an ageing society. They plan to cut local taxes by 10%, slash salaries for elected officials, and shed overlapping public services.

In Tokyo this is all seen as autocratic. Yet the two men have touched a nerve. Officials in cash-strapped Aichi receive up to Â¥28m ($340,000) as a perk on retirement. That compares with Â¥20m at Toyota. The prefecture's debt, meanwhile, stands at Â¥585,000 yen a citizen.

The Aichi revolt has echoes in other regions. Toru Hashimoto, governor of Osaka prefecture, Japan's second-biggest industrial hub, is campaigning on a promise to build a similar megalopolis, though against opposition from local mayors. Other prefectures such as Niigata also think of merging with their capitals. Too many municipal administrations exist, with shaky tax bases, and indeed prefectures too.

Mr Kawamura reckons the movement will come to resemble the alliance of fiefs in western Japan that helped topple the shogunate in the 1860s. Mr Omura, less prone to hyperbole, says that all big Japanese cities are in a struggle to compete with the likes of Shanghai, so why should Tokyo have all the advantages? Competition, he says, takes place not between nations, but rather cities. No wonder Tokyoites want to belittle the movement.

Index | Asia

Tasmania's forest wars

Restoring virginity

Feb 10th 2011 | *HOBART* | from PRINT EDITION

Business, green groups and government find common ground



WHEN Lara Giddings took over as premier of Tasmania on January 24th, she took the number of women heads of government in Australia to the unprecedented total of four. For Tasmanians, though, Ms Giddings's sex is less of a concern than how she will steer through a deal between logging companies and environmentalists that could end the island state's 30-year war over its forests.

Between mainland Australia and Antarctica, Tasmania has just 2.3% of the country's population but the lion's share of its environmental battles. The island can claim to be the birthplace of the world's green political movement, with a group formed 39 years ago to fight the flooding of Tasmania's lakes and rivers for hydroelectric power. Greens won that battle in 1983 when the Franklin river was saved. Since then, forests have been the focus.

Forests cover half of Tasmania, compared with 2% for Australia as a whole. Most in Tasmania are "native" forests unlogged for up to a century, if at all. At least half these are isolated in conservation reserves. But until recently most of the rest were available for felling by businesses such as Gunns, Tasmania's biggest timber company. Much native timber became woodchips for export, mainly to Japan. Tasmania has provided about a quarter of Australia's forestry jobs. But over the past two years, the jobs have fallen by a third.

The global downturn and a strong Australian dollar are only part of the story. The woodchip market crashed after green groups campaigned to persuade Japan and Australia's other Asian customers to accept imports only of timber certified by the Forest Stewardship Council, a worldwide body promoting sustainable forestry.

Gunns had wielded political clout with successive Tasmanian state governments against outcries from mainland Australians eager to save native forests. In September Greg L'Estrange, the company's boss, conceded that it had lost the war, "out-thought and outplayed". Mr L'Estrange said Gunns must move its timber source to plantations, younger forests replanted and rotated after harvest. Only half Gunns' 360,000 hectares (900,000 acres) of forest holdings are plantations.

Logging companies, unions and green groups have since drawn up a statement of 18 principles redefining Tasmania's forest industry. Forests with a "high-conservation value" (including trees undisturbed since the first European settlement over two centuries ago) will be immediately protected. Then the industry will make a "negotiated" transition from native to plantation forests. Now comes the hard part. Transition means a year to some groups, 30 years to others. Meanwhile, Gunns wants to build a pulp mill on pristine Bell Bay, on Tasmania's north coast, albeit using plantation timber, not the native stuff as once planned. Green groups oppose the site. The federal and Tasmanian governments recently appointed a negotiator to get a deal.

Enter Ms Giddings. David Bartlett, her predecessor, who resigned citing family reasons, had given the forest deal his blessing. Mr Bartlett worked well with Nick McKim, leader of the Tasmanian Greens, with which Labor, Mr Bartlett's and Ms Giddings's party, formed a coalition government last year. The new premier must prove she can work with the Greens

too-their support will be crucial for the deal's survival. Mr McKim seems optimistic. "Market pressures have brought the timber industry to this point," he says. "Tasmania's economy can now diversify."

Some places have started already. Last year Burnie, on the island's north coast, lost a paper mill along with about 500 jobs from the forestry downturn. The town is pouring money into sprucing up its waterfront to attract visitors tempted by Tasmania's other natural assets-food and wine. In October two mainland business figures, Jan Cameron and Robert Purves, paid Gunns A$24 million ($24 million) for almost 28,000 hectares of native forest. Trees that might once have been turned into woodchips will now earn money from conservation-related tourism instead.

Index | Asia

Kazakhstan's perennial president

About turn

Feb 10th 2011 | from PRINT EDITION

Suddenly, an early election

THE game seemed to be set. Kazakhstan's political machine was running in overdrive, and since late December viewers of state television had been bombarded with sound bites from well-known and obscure citizens gushing about the wisdom of holding a national referendum to extend until 2020 the term of the long-serving and deserving president, Nursultan Nazarbayev. Over 5m enthusiastic signatures in favour of the referendum, representing more than half the electorate, were collected in just a few weeks.

And then everything was turned upside down when the Constitutional Council, a nominally independent body, ruled on January 31st that a referendum would be unconstitutional. Mr Nazarbayev himself had spoken out against one, but had been overruled by his one-party parliament. Now he said he would hold early presidential elections instead, cutting short his term in office by almost two years. Without missing a beat, the state media now effuses over the even greater wisdom of going ahead with an election, set for April 3rd.

This political zigzagging has been unusual even by Kazakh standards. Civic groups call it a travesty. With registration for presidential candidates closing on February 20th, little time remains for a marginalised opposition to get organised. One presidential hopeful has already failed to pass the mandatory and rather rigorous Kazakh language test. Victory is virtually assured for the 70-year-old Mr Nazarbayev, who remains popular in this oil-rich country despite shortcomings over freedom of expression and human rights.

Protest and uprisings in the Arab world also probably contributed to the zigzag. Like Arab despots, Mr Nazarbayev, leader since 1989, is perennial. Corruption and rising food prices unsettle Kazakhstanis. Though a popular uprising seems implausible, it would have been quite anachronistic to hand Mr Nazarbayev a third decade in power while people in Arab countries, not far to the west, are clamouring for change.

One unanswered question remains: who comes after Mr Nazarbayev? In the eyes of many Kazakhstanis, the president's chief shortcoming is failing to lay out plans for succession. The approaching election may only postpone further the time when the great man thinks to pronounce on a world without him.

Index | Asia

Thai-Cambodian conflict

Temple trouble

Feb 10th 2011 | *KANTHARALAK* | from PRINT EDITION

Warning: old stone temples can start wars

SITTING on her straw mat, Pisamai Poonsuk recalls how her family of ten fled their border village in a pickup truck soon after the shells began falling. After staying the night with relatives, the family moved into a temporary camp. Ms Pisamai, a cassava farmer, is waiting for the all-clear to go home. She prays the ceasefire will hold between the Thai and Cambodian soldiers ranged along a disputed border. She has little time for Thai jingoism. "We should trade with the Cambodians. We should be brothers."

Fat chance. The clashes that erupted on February 4th were the fiercest since July 2008, when the two armies first began rumbling at each other in the vicinity of Preah Vihear, an 11th-century Khmer temple that Cambodia wants to develop for mass tourism. Six people died and dozens more were injured during four days of fighting. The temple itself was only slightly damaged. Each side accuses the other of firing first into populated areas.



Though the shelling has stopped, any ceasefire remains fragile as long as nationalists in both countries keep stoking the dispute. Thailand's prime minister, Abhisit Vejjajiva, faces street protests by the ultra-conservative People's Alliance for Democracy (PAD) over his alleged failure to defend Thai soil. Cambodia's prime minister, Hun Sen, does not tolerate protests but is sensitive to claims of lost sovereignty. He quickly castigated war-mongering Thailand and called for UN peacekeepers on the border.

It is not the first time that an ancient temple has bred violence. In 2003 anti-Thai riots erupted in Phnom Penh after a Thai actress was misquoted as saying that Angkor Wat, which appears on the Cambodian flag, belonged to Thailand. On February 8th PAD leaders said that Thai troops should threaten to invade, forcing a return of Preah Vihear. To Cambodians, resentful of being pushed around by big neighbours, this is bully-boy stuff.

In 1962 the World Court ruled that Preah Vihear, which sits on a ridge, was on Cambodian soil. But it did not rule on overlapping claims to the temple's hinterland. In 2008 UNESCO listed the temple as a World Heritage site, to the delight of Cambodia's tourist industry. The PAD cried foul over what it claimed was a loss of Thai territory. The controversy became a pretext for marathon protests that helped topple an elected government and sweep Mr Abhisit into power. Now the PAD vows to topple its erstwhile ally.

Despite international concern, Mr Hun Sen's plea for UN intervention seems a non-starter. Thailand insists that bilateral talks can resolve the border dispute and rejects outside mediation. This did not stop Indonesia from dipping a toe into the row. It currently holds the rotating chair of the Association of South-East Asian Nations (ASEAN), to which the two feuding parties belong (see Banyan). Its foreign minister, Marty Natalegawa, flew to both capitals this week for talks. But,

an ASEAN diplomat sniffs, Indonesia should keep its own ambitions in check, lest the tables are turned in future. Nobody wants anyone "meddling in his own affairs", he says. So much for Ms Pisamai's brotherhood.

Index | Asia

Taiwan and China

Smokeless war

Feb 10th 2011 | *BEIJING* | from PRINT EDITION

A Taiwanese accused of spying

FRIENDSHIP between Taiwan and China has recently blossomed, with flights across the Taiwan Strait, a free-trade agreement and mainland tourists pouring onto the island. Yet the arrest of a Taiwanese general on charges of spying for China shows how hostilities still simmer.

Major-general Lo Hsien-che seems to be the highest-ranking Taiwanese officer in decades accused of passing secrets to China. The island's defence ministry says he was recruited by Chinese intelligence while stationed in Thailand from 2002-05. His arrest in late January came to light on February 8th.

Taiwan and China have infiltrated each other's armies ever since the Kuomintang (KMT) fled to Taiwan in 1949 after civil-war defeat. Only last November a Taiwanese colonel was arrested for allegedly spying for China. In 1999 a Chinese general was executed for spying for Taiwan. China was delighted by the KMT's return to power in Taiwan in 2008, after eight years of rule by the China-baiting Democratic Progressive Party (DPP). Yet now a senior Taiwanese officer says China has been stepping up a "smokeless war" with its spying efforts.

Taiwan's defence ministry plays down the importance of the secrets General Lo handled in his work at the army command. But Taiwanese press reports say they included a communications network built with American help. China bristles at American military assistance to Taiwan.

Taiwan's President Ma Ying-jeou will not be happy. The opposition DPP thrives on playing up the threat from China and has long accused Mr Ma of failing to take it seriously enough. The spy case emerged shortly after Mr Ma had instructed officials to resume referring to China as "the mainland". China does not like being called China by Taiwan because it feels that conveys a sense that the two sides are separate. So too, however, does spying.

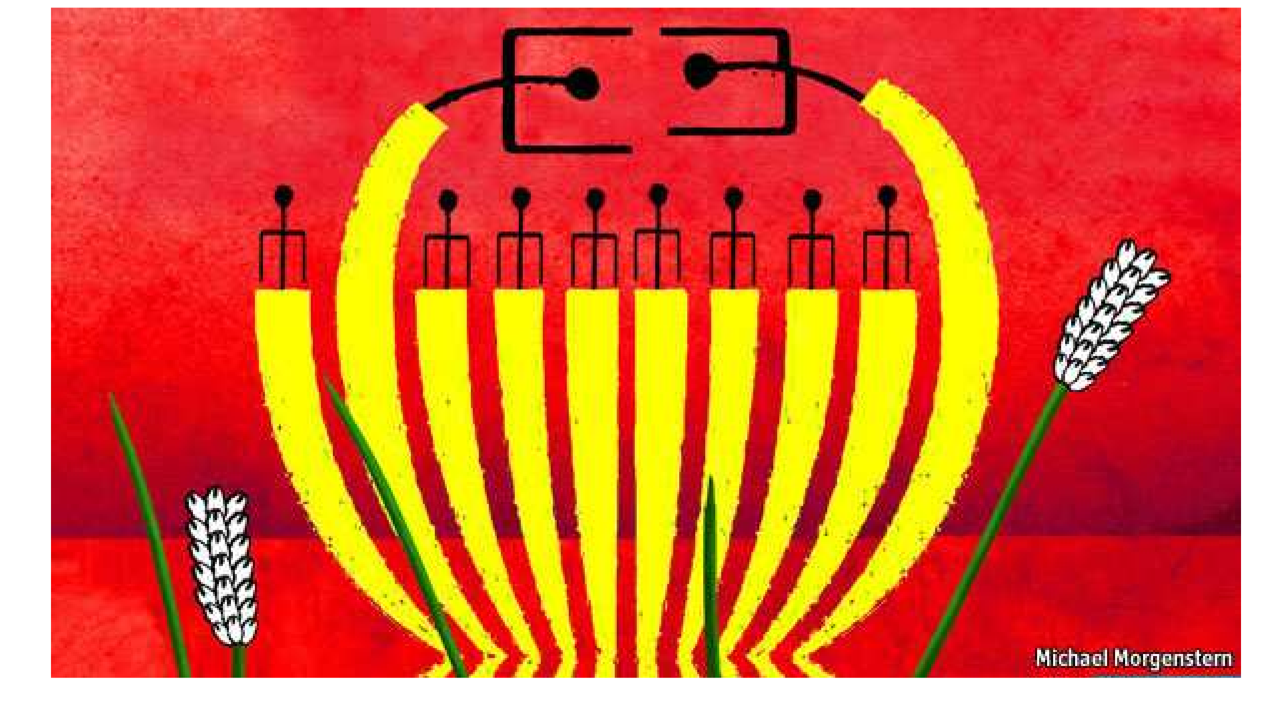
Index | Asia

Banyan

Loose stalks posing as a sheaf

Feb 10th 2011 | from PRINT EDITION

As two of its members square up, ASEAN tries to do more than just hold the coats



JUST over two years ago the ten members of the Association of South-East Asian Nations (ASEAN) adopted a common charter with all the fanfare due a hard-fought agreement. It lists ASEAN's 15 "purposes". The very first is "to maintain and enhance peace, security and stability and further strengthen peace-oriented values in the region." So it is disappointing for the organisation to find soldiers from two of its members, Thailand and Cambodia, shooting at each other over their disputed border at the Preah Vihear temple. Worse, neither party wants ASEAN to play peacemaker. ASEAN is just not that sort of a club.

To be sure, its Thai secretary-general, Surin Pitsuwan, offered the organisation's help as a mediator. And Marty Natalegawa, foreign minister of Indonesia, which holds the rotating ASEAN chairmanship, dutifully headed off to Phnom Penh and Bangkok. That he was welcome at all is hailed by some senior regional diplomats as an historic breakthrough for ASEAN. But Thailand would prefer to keep the dispute as a purely bilateral one. Cambodia would love to see it become an international issue, yet has spurned ASEAN. Its prime minister, Hun Sen, has instead involved the United Nations Security Council.

Not for the first time, ASEAN finds itself ruing the mind-your-own-business ideals on which it prides itself. Pavin Chachavalpongpun, a scholar at the Institute of South-East Asian Studies in Singapore, says that Cambodia and Thailand are in clear breach of their charter and other ASEAN obligations. Yet ASEAN has no way of enforcing compliance. Expulsion is unthinkable, and it has no other obvious sanctions to hand.

The association has always prized camaraderie over confrontation, consensus over contention and, above all, scrupulous respect for national sovereignty over even well-intentioned meddling. It used to be joked that the main qualifications for attendance at its ministerial bashes were the ability to speak English, and a fondness for golf, karaoke and durian, a pungent fruit.

The easy-going bonhomie has helped unite ten very diverse countries. They include an Islamic sultanate (Brunei), a wealthy city-state (Singapore), two poor communist dictatorships (Vietnam and Laos) and an even poorer military junta now posing as a parliamentary democracy (Myanmar). Intra-ASEAN trade, boosted by an inchoate free-trade area, has boomed; ASEAN institutions (and meetings) have proliferated.

ASEAN's achievements should not be belittled. Founded in the late 1960s, after a tense period of "*konfrontasi*" by Indonesia, it succeeded in integrating the archipelagic giant. And much as the European Union moved from cementing peace in western Europe to healing cold-war divides, ASEAN, founded out of anticommunist solidarity, in 1995 admitted Vietnam. Most impressively, deft diplomacy has made ASEAN central to pan-Asian regionalism. So far this amounts to little more than a bewildering plethora of talking shops. But ASEAN has helped South-East Asia, sandwiched between India and China, punch above its weight.

In a crisis, however, golf, karaoke and durian do not quite cut it. In the late 1990s ASEAN was powerless in face of a series of blows. First came the region-wide financial collapse and environmental disaster-the haze of smog from forest fires on Sumatra and Borneo. Then, in 1999, an eruption of violence in what was the Indonesian province of East Timor required an Australian-led intervention force to restore order.

In retrospect, ASEAN made a big mistake when it rushed to expand its membership to include all the members of geographic South-East Asia, adding Cambodia, Laos and Myanmar. One reason was to mark its 30th birthday, in 1997, though that plan was thwarted by a bloody coup staged by Mr Hun Sen. Cambodia had to wait a year for admission, after which the organisation's logo-a sheaf of ten rice stalks-finally made sense. A second reason was to stop Myanmar from becoming, in the words of one regional diplomat at the time, "a cockpit of Sino-Indian rivalry on South-East Asia's rim". Since then the influence in Myanmar of both India and, especially, China has grown, while ASEAN's decision-making and diplomacy have been handicapped by the membership of a government abhorrent to the West.

The later members joined ASEAN precisely because it had no supranational authority. This makes it even harder to respond cohesively to a flare-up. And, as Kripa Sridharan, author of a book on Asian regionalism, puts it, ASEAN has never been for settling conflicts but rather for "conflict mitigation". In that sense, Mr Natalegawa's intervention in this dispute does indeed signal a bigger role for ASEAN. But some in the region argue that is not nearly enough. A number of intra-ASEAN quarrels still fester-over boundaries in the South China Sea, for example-while the region's armies are engaged in hectic modernisation, though admittedly largely in response to worries about China. To raise its profile and clout, ASEAN recruited, in Mr Surin, a former foreign minister, an activist and persuasive boss. It has outlined ambitious plans to achieve a regional "community" by 2015 and modified an absolute insistence on non-interference.

Not ready for kick-off

The response to the violence at Preah Vihear, however, shows that non-interference is still ASEAN's default position, which is unlikely to change soon. A more hopeful approach to regional integration may be that mooted at the most recent foreign ministers' meeting in January: a proposal to bid for the joint hosting of the football World Cup in 2030. The obstacles would be tremendous in terms of logistics, infrastructure and politics (what would Aung San Suu Kyi say?). But the ministers have at least put their finger on a passion, currently squandered on the English Premier League, that binds the region as tightly as the taste for durian.

Economist.com/blogs/banyan

Angola's wealth

Mine, all mine

Feb 10th 2011 | *LUANDA AND MALANGE* | from PRINT EDITION

After three decades in power, Jose Eduardo dos Santos is presiding over a resource boom. But too few Angolans are seeing the benefits



A BLUE metal fence runs through Zango, a commuter town along the main road out of Luanda, Angola's capital. On one side stand new apartment buildings for civil servants, with luxury kitchens and a sprinkler system embedded in the lush lawn. On the other sit the farmers who used to till the land until they were evicted. A mother scratches the dry ground outside her hut, begging for a few mouthfuls of water. "We used to have corn and potatoes and cassava before the government took our fields," she says.

Since ending a 27-year civil war in 2002, Angola has become one of sub-Saharan Africa's richest countries. Angolan mines are the fifth-largest source of diamonds worldwide. Its oil wells already produce 1.9m barrels a day; on present trends, it could overtake Nigeria to become Africa's largest producer. It has huge agricultural potential. Roads and railways that were destroyed during the fighting have been rebuilt. New schools and hospitals have sprung up.

But Angola is also one of the world's most unequal countries. (Its Gini coefficient-a measure of income distribution in which zero indicates perfect equality-is 0.55). Most of the benefits of the resource boom have gone to a fairly small elite that lives in an African version of St Tropez, with ritzy beach clubs inside walled enclaves. A crop of skyscrapers encircles a harbour decorated with sleek motorboats and a Ferretti yacht costing $5.5m.

The *musseques*, as the self-built settlements of the poor are called in Angola, used to start right behind Luanda's white sandy beaches. Now they have been pushed inland, away from the most desirable spots. Land seizures have become an explosive political issue, as the capital's hinterland fills up with the displaced. These people are given tin sheets to build shanty towns-but no compensation. Only 9% of Luanda's population of 5m has running water, a lower share than during the civil war. Across Angola, half the population of 18m has virtually no access to health care. The country has one of the world's highest rates of infant mortality, and the only known cases of urban polio.

The government says all the right things about the need to improve public services. It promises "water for all" and pledges to build "one million houses" (dubbed by critics "one million dollar houses", since most of those it does build are unaffordable to all but the rich).

The government's budget is about $40 billion, bigger than that of some European countries. But aid agencies are still the best hope for ordinary Angolans. In Kilamba Kiaxi, a suburb of Luanda, 1m people got their first taste of running water last year when Unicef set up a few dozen taps. Local officials had told residents they lacked the funds to pump water along existing pipes. In one case Unicef paid a $200,000 fee to the state water company to turn on a tap.

Part of what ails Angola is a lack of skilled civil servants, as well as too much red tape. After officials recently bought 3,000 new buses they could find only 1,500 drivers. The bureaucracy is grossly inefficient. When the World Bank offered a loan to Angola, it took two years for the paperwork to come through. In particular, the private sector suffers. It takes 56 laborious steps to set up a business.

Critics complain that the government, a prickly but proud bunch of mainly former guerrillas, pays vast sums for white elephants intended to make it look good. It spent more than $1 billion on four stadiums for the Africa Cup of Nations, a football tournament. It also built an imposing stock exchange, though there is no bourse.

At the trough

Big projects offer the richest pickings too. In the ranking of perceptions of corruption published by Transparency International, a Berlin-based lobby, Angola has fallen from 22nd from the bottom to 10th in the past two years. Rafael Marques, a local campaigner, takes visitors on a "corruption tour" of Luanda, pointing out which presidential crony or cousin owns this building or that bank.

The government's defenders say that at least not all the money is being stolen outright. But as well as contract padding, Angolans have lost out as officials seize state assets through rigged privatisations or rip off the public treasury in bail-outs of private companies. At almost every turn, someone connected to the state is seeking a pay-off. A farmer gets $10 for a box of 100 avocados. By the time they reach Luanda the price has risen to $5 each, thanks to cuts paid to officials, soldiers and policemen along the way. A doctor close to the top of the ruling party has a concession for rubbish-collection in Luanda: he has kept out competitors but fails to provide any service in poor districts. Streets are filled with rotting fruit, faeces and other disease-spreading detritus.

The logic behind the kleptocratic system is complex. Having won the long civil war, members of the ruling People's Movement for the Liberation of Angola (MPLA) feel they deserve a share of the spoils. Jose Eduardo dos Santos, the president for the past 31 years, has seemed happy to oblige them to ensure their loyalty. His own family has stakes in several companies. Though publicly in favour of private enterprise and foreign competition, Mr dos Santos is a former Marxist, trained in the Soviet Union, and remains something of a protectionist. He appears to see the many barriers to trade thrown up by his rent-seeking minions as a means of preventing multinationals from taking over. He has a finely honed instinct for preserving his power and a relatively low appetite for outright brutality-Vladimir Putin rather than Joseph Stalin.

Already sub-Saharan Africa's second-longest-serving leader, Mr dos Santos has changed the constitution so that he can stay in office until 2022 without having to face a direct election again. The changes eliminate elections for the presidency; instead, the leader of the largest group in parliament automatically gets the job. But power is still concentrated in the president's office. It controls all budgets and appoints judges, prosecutors, generals, state governors and election commissioners.

Full steam ahead

Yet centralised politics and a grasping state seem unlikely to dim Angola's economic future. On February 24th the government is due to announce new offshore oil concessions in "pre-salt" deposits that are geologically similar to those across the Atlantic in Brazil. They could turn Angola into one of the world's leading oil-producing nations.

But without political change, the poor majority will benefit little. Not surprisingly, public anger has been building. Protests flared last month in Cazenga, a district of Luanda that has traditionally been an MPLA stronghold. Separatists in the province of Cabinda, who made headlines by shooting at the Togolese team during the African cup, are increasingly active. Soldiers complain that generals steal so much of the army's budget that they don't get boots any more. Oddly, even one of the president's daughters has lashed out-at oligarchs who she said have created "the biggest number of tentacles possible to sabotage or destroy competing businesses". Nervous Western oil companies give millions to local schools and hospitals to avoid being tarred with the same brush.

An uprising is unlikely, since memories of the civil war that killed 1.5m people are still fresh. But parliamentary polls in 2012, though probably rigged, will see more competition than last time, when the MPLA won over 80% of the vote. The president is already campaigning, having made his first state-of-the-nation address last October. Barring a vast drop in the oil price, which would threaten the patronage system, he will almost certainly win. Change may have to await the emergence of a post-war generation of leaders, free of old fears and prepared to challenge the man they call *o pai grande*, the great father.

Index | Middle East & Africa

Angola's capital

Costly even for Croesus

Feb 10th 2011 | *LUANDA* | from PRINT EDITION

The trials and tribulations of visiting an African boomtown



Yo-ho-ho and a bottle of rum

THE Angolan capital calls itself the "New Dubai" and there certainly are similarities with the emirate. Luanda has vast oil wealth. If they could only get visas, which are rarely granted, tourists would flock to its beaches and nearby game parks. Following the opening of a modern airport, flights arrive non-stop from Europe and America.

But if prices in Dubai seem inflated, they have nothing on Luanda. Last year Angola's capital was the most expensive city in the world, according to Mercer, a New York-based consultancy. A bog-standard hotel room costs $400, a non-alcoholic drink in the lobby $10 (though a mere $2 in a supermarket). An underwhelming hotel buffet is $75 and a pizza on the street $25.

A taxi-ride within the city easily adds up to $50, especially since the taxi company-the only one in town-starts the meter as soon as the car leaves the depot. There are no cruising cabs. A standard flat costs $10,000-$15,000 a month to rent or at least $1m to buy. A supermarket sold a melon for $100 to a Frenchman at Christmas. He tried to sue the retailer for profiteering in a local court last month, presenting a picture of the melon plus the receipt. The judge threw out the case for lack of evidence: the Frenchman could not provide the court with the original melon, since he had eaten it.

Officialdom rarely favours outsiders. Your correspondent was walking along a seafront road between the presidential palace and the national police command when a policemen asked to see his passport. Two Japanese businessmen were caught in the same dragnet. Meeting blank incomprehension, the policeman wrote $10 into the sand with a stick. When this failed to elicit the required backhander, the copper stammered, "Angola... *policia*... *bandidos*."

Index | Middle East & Africa

Congo's east

Still smuggling

Feb 10th 2011 | *KINSHASA AND GOMA* | from PRINT EDITION

A warlord goes about his business



BOSCO NTAGANDA is a Congolese army general and former rebel leader wanted by the International Criminal Court (ICC) for recruiting child soldiers. On February 3rd a plane from Nigeria landed in Goma, capital of North Kivu in the Democratic Republic of Congo, and a group of his men swiftly unloaded $6.5m in cash. Pursued by police through Goma's streets, they ferried the money to one of the general's compounds. The plane was later loaded with over 400kg of gold, worth around $19m at today's prices. But the authorities seized the gold and arrested the passengers-an American, a Frenchman, and two Nigerians-for trafficking.

According to the UN, General Ntaganda, once deputy to the warlord Laurent Nkunda, oversees a vast mineral-smuggling operation in eastern Congo. It is manned by former rebel allies who, under a peace deal, are now part of the army. The trade-legal and illegal-in gold, tin ore and coltan from the region is worth hundreds of millions of dollars. In September, in an attempt to clamp down on smuggling, the Congolese president, Joseph Kabila, imposed a ban on most mining in the east. Mr Kabila wants to root out "mafias", he says, which include both the army and the armed militias that control the region's mineral trade. That trade has fuelled more than 15 years of war, killing and displacing millions. But the prohibition has done little to limit the smuggling.

General Ntaganda, a Tutsi, is presumed to have the backing of neighbouring Rwanda, run by Paul Kagame, also a Tutsi. Rwanda may well have more influence in the Kivus than Congo's own government, 1,000 miles (1,600km) away in Kinshasa. Even with an ICC indictment hanging over his head, the general freely walks around Goma. During the day he plays tennis on clay courts in the shadow of Goma's restless volcano, Nyiragongo. At night he dines in lakeside restaurants frequented by UN and aid workers and the local elite.

Outside the town, his soldiers continue to plunder and rape. On New Year's Day Lieutenant Colonel Kibibi Mutwara, who fought with General Ntaganda's rebels, allegedly ordered his men to attack the village of Fizi in South Kivu province in retaliation for the murder of a soldier. At least 62 women, men, and children were raped, according to hospital officials. Unusually, Colonel Mutwara has been arrested. The trial, along with ten of his men, will begin shortly in Baraka, a nearby town.

Mr Kabila says that Congo needs peace before it can have justice. But General Ntaganda and men like him are a growing embarrassment to the Congolese, the Rwandans, the UN, and the ICC. Last month Luis Moreno Ocampo, the ICC's chief prosecutor, said that the general's arrest was his "next objective." But the ICC's power is limited and in this case depends largely on the governments of Rwanda and Congo.

Mr Kabila faces re-election in November. Arresting the general could rekindle the widespread support he had in the Kivus at the last vote in 2006-supposing he can maintain some semblance of peace afterwards. And if Rwanda ended its support for a man wanted by the ICC, that could help repair the damage to its reputation from a messy election season of its own last year. Will they turn on the general?

Index | Middle East & Africa

Democracy in South Africa

A step backwards

Feb 10th 2011 | *JOHANNESBURG* | from PRINT EDITION

The ANC is losing sight of its liberal heritage



IN A country where more than 80% of the people describe themselves as Christians and two-thirds believe that the Bible, as the word of God, should be understood literally, President Jacob Zuma's warning was taken to heart. "When you vote for the ANC (African National Congress)," he told an election rally of the party faithful in the Eastern Cape province on February 5th, "you are choosing to go to heaven. When you don't vote for the ANC, you should know that you are choosing that man who carries a fork...who cooks people."

In case anyone should think this a mere "figure of speech", as his officials later tried to claim, the president, who is a lay pastor, went on to drive his message home: "When you are carrying an ANC membership card, you are blessed. When you get up there, there are different cards used, but when you have an ANC card, you will be let through to go to heaven." And if, perchance, anyone were foolish enough to leave the ruling party to set up a rival splinter, as the Congress of the People (COPE) recently did, "you will struggle until you die," he proclaimed. "The ancestors of this land...will all turn their backs on you."

As South Africa gears up for municipal elections, due to be held by May, the claim that God is firmly on the side of the ruling party did not go down well with non-ANC supporters. The Democratic Alliance, the main opposition party, promptly demanded an apology. It described Mr Zuma's remarks as "incendiary...an act of shameless political and religious blackmail". It smacked of the same hubris demonstrated by Mr Zuma's claim during the 2009 general election campaign that the ANC would continue to rule "until Jesus comes", the alliance said. Even the South African Council of Churches, which is normally sympathetic to the former liberation party's cause, said the president's comments were "dangerous".

South Africans are proud of their 1996 constitution, widely regarded as one of the most progressive in the world. During the struggle against apartheid, the ANC came to see itself-and was seen-as the only true representative of the disenfranchised black majority. Today it regards itself not so much as a political party as the embodiment of the nation.

Elections, in which the party usually wins around two-thirds of the vote, are seen as confirming that status. Mr Zuma frequently refers to the ANC as "the parliament of the people", as if its decisions were more important than those of the elected national assembly.

During the presidency of Thabo Mbeki, the assembly was treated as a mere rubber stamp. Shortly after the 2009 election that brought Mr Zuma to power, Gwede Mantashe, the ANC secretary-general, urged the new parliament to be "robust and not to be afraid of holding cabinet ministers to account". But on the rare occasions that a few brave souls have tried, they have been ousted from their posts. Most MPs are aware that they must toe the party line or risk finding themselves banished from the list of election candidates. The same fear underpins the ANC's system of "cadre deployment", under which loyal party members are given plum posts and critical ones sacked. Mr Zuma has repeatedly promised to reform the system, but has never quite got around to it.

Although they give nominal support to democracy, most Africans continue to hold a deferential view of political authority, according to a recent study of 19 democratic countries on the continent carried out by Robert Mattes of the University of Cape Town. South Africa scored particularly poorly on questions relating to accountability. Barely one in three citizens thought that MPs should hold the president to account. Fewer than 40% agreed that "the government is like an employee; the people should be the bosses", most preferring the view that "people are like children; the government should take care of them like a parent". Only 10% thought that voters should hold MPs to account, whereas as many as four out of ten believed that presidents should be able to "decide everything".

France's government

Monsieur Fillon's holiday

Feb 10th 2011 | *PARIS* | from PRINT EDITION

A scandal over ministerial holidays in north Africa highlights once again French complicity with the region's autocracies



WHEN President Nicolas Sarkozy reshuffled his cabinet in November, he hoped the squeaky-clean team he installed would put an end to a string of mini-scandals that had sapped the government's credibility. He kept his prime minister, Francois Fillon, whose reputation for probity and discretion fit the new era of austerity. He picked Michele Alliot-Marie, another Gaullist veteran with a solid ministerial background, as foreign minister. Now both politicians (seen above with Mr Sarkozy) have been caught accepting hospitality from authoritarian north African countries on the cusp of revolution.

Hours before *Le Canard EnchaÃ®ne*, a satirical weekly newspaper, broke the story on February 9th, the prime minister's office admitted that, when Mr Fillon and his family holidayed for a week in Egypt over the new year, his hotel bill, a boat trip down the Nile and a flight to go sightseeing were all paid for by the Egyptian government. Mr Fillon was charged for his family's international flight aboard a French government aircraft, his office said; but the French state picked up the hotel bill for his security detail and plane crew.

This revelation emerged at a time when French voters were still digesting another bout of north African largesse. Ms Alliot-Marie, who was holidaying in Tunisia with her family just as the uprising broke out, confessed to taking a trip (or, as she later admitted, two trips) on a private jet in Tunisia owned by a local tycoon linked to the former president. Her partner, Patrick Ollier, is also a French government minister. It was Ms Alliot-Marie, back in France after her holiday in Tunisia, who then stepped forward to offer the expertise of French security forces to the Tunisian regime, a few days before the president fled the country.

The more that Ms Alliot-Marie has tried to justify her behaviour, the worse it has appeared. "I pay for my own holidays," she declared in January, before details of the free flights surfaced. But who could reproach her for accepting a lift in a private jet? Her businessman chum happened to be at the airport with his jet when she stepped off the plane from France-you know how it is. Anyway, she claimed, he was not part of the ruling Tunisian clan, but a victim of it. That ordinary French people, who do not have friends with private jets, might find all this shocking seems genuinely to have surprised Ms Alliot-Marie. "I didn't take the time to ask myself how it might appear," she confessed to *Le Parisien*, a newspaper.

Both politicians should know better. Ms Alliot-Marie is a political survivor whose authoritative aura has enabled her to glide from one senior post to another without ever quite leaving her mark. Before foreign affairs, she was in charge at defence, the interior ministry and the justice department. She had her first junior ministerial job 25 years ago, under Jacques Chirac's prime ministership; she then ran his party from 1999 to 2002, the first woman to do so. As for Mr Fillon, he was one of the first politicians to warn French voters that the state "is broke". He has carefully nurtured a reputation for responsible financial management, the antidote to the bling-loving Mr Sarkozy.

Both Mr Fillon and Ms Alliot-Marie are now trying to shrug off the affair of the paid holidays. The prime minister's office claimed that it was normal diplomatic courtesy to accept such hospitality. Ms Alliot-Marie conceded that "people were shocked", and said she would not do it again. This week Mr Sarkozy tried to squash the scandals by announcing new rules. Henceforth, he decreed, all ministers will have to take their holidays in France. Any invitations abroad would need authorisation to ensure "their compatibility with France's foreign policy"-to be given by the prime minister.

Opposition leaders are not going to let the matter drop. Martine Aubry, the Socialist boss, said she was dismayed and that the government had "lost the sense of public spirit". Some have called on both Mr Fillon and Ms Alliot-Marie to resign. There are plenty of jokes doing the rounds about "Air Dictator", and also about France's failure to read events in its own backyard. "Henceforth, in order to know where the next revolution will break out," suggested one editorialist, "you only have to look at where members of the government are taking their holidays."

In the past the French might have dismissed all this as business as usual by their political class. There was an unspoken deal under which voters did not query government perks or abuses so long as the politicians did not touch the people's benefits. Francois Mitterrand, a Socialist president, was a frequent guest of Hosni Mubarak in Egypt. To this day, according to *Le Monde*, another newspaper, French politicians on both left and right holiday in north African hotels with all expenses paid. But, in an age of austerity, when ordinary people are being asked to tighten the purse strings, the mood has changed. Mr Sarkozy seems finally to have grasped this, stating this week that "what was commonplace a few years ago can today be shocking."

As for French diplomacy in north Africa, this has not been its finest hour. Mr Sarkozy has admitted that he "underestimated" the gravity of events. This is not for want of interest. As far back as 2008, he was urging his fellow Europeans to look across their southern shore. He launched a Mediterranean Union, to build a "great dream of peace and civilisation", at a jamboree in Paris. But the Mediterranean Union has not met once since. Only last November its second summit was postponed indefinitely. Its Jordanian secretary-general, Ahmad Massa'deh, has just stepped down. And who is its co-president with Mr Sarkozy? Mr Mubarak.

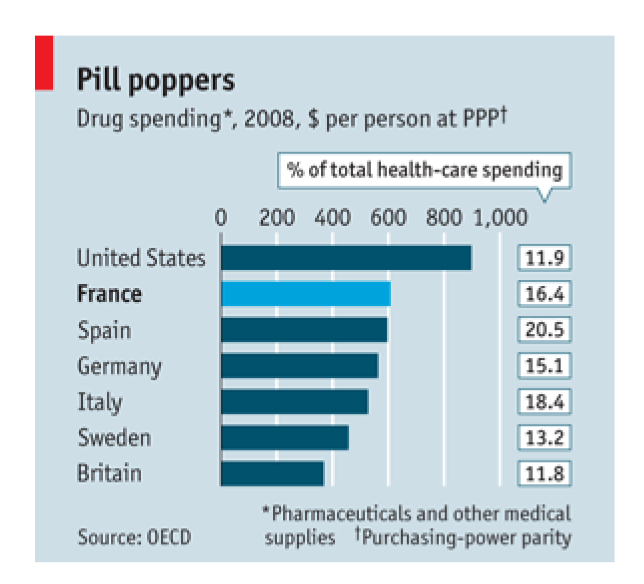
Index | Europe

French drug consumption

Pass the pills

Feb 10th 2011 | *PARIS* | from PRINT EDITION

A scandal reminds patients of the health risk from taking too many drugs



THE French are Europe's champion medicine-takers. No self-respecting family leaves the doctor's surgery without a multiple prescription for drugs to treat even minor ailments. There are substances to squirt up the nostrils for a cold, suppositories for all sorts of complaints and treatments for such bizarre ills as "heavy legs". Every so often, the health authorities strike a batch of drugs off the list for reimbursement under the social-security rules, because of "insufficient therapeutic value". Last year the reimbursement rate was cut for 150 medicines judged, in effect, useless.

A public-health scandal has now awoken the French to the dangers of a heavy drug-consumption culture. This week Jacques Servier, founder and boss of Servier Laboratories, was due to appear in court in connection with a criminal lawsuit brought by patients who took a drug called Mediator. It was originally licensed for diabetics, but family doctors began to prescribe it in the mid-1990s as an appetite-suppressant. Despite the ringing of alarm bells over the years about its links to heart disease, both in other countries and within the French medical profession, the drug was not withdrawn in France until 2009. By that time, according to different estimates, between 500 and 2,000 people who had been taking the drug had died.

The story has rattled the French, knocking their faith in the competence of the public-health authorities. A report into the Mediator affair ordered by Xavier Bertrand, the health minister, published last month, is devastating. It observes "grave failings" on all sides, from the laboratory's "relentless" campaign to continue to market the drug "out of line with its medical properties", to the health authorities' cumbersome bureaucracy. "The medical-drug chain functions today in such a way that the doubt benefits not the patients or public health, but the companies," it concludes.

The pharmaceutical lobby in France is strong. Before the drug was withdrawn, Mr Servier was awarded the country's highest distinction, the Legion d'Honneur, by President Nicolas Sarkozy.

The French Agency for Health-Product Security has now hastily decided to publish a list of 77 drugs it has "under reinforced surveillance", because of undesirable side-effects. Yet this list, says Prescrire, a non-profit medical body, is also misleading, since it mixes drugs that should be urgently withdrawn with ones that, for certain patients, are justifiable. It urges patients not to swallow prescribed medicines uncritically. Professor Philippe Even of the Institut Necker, a research body, reckons that, of 5,000 or so drugs available in France, "nearly half serve no useful purpose", and many of those may be harmful. In 2010 the French public-health system had a euro12 billion ($16 billion) shortfall. Spot the connection.

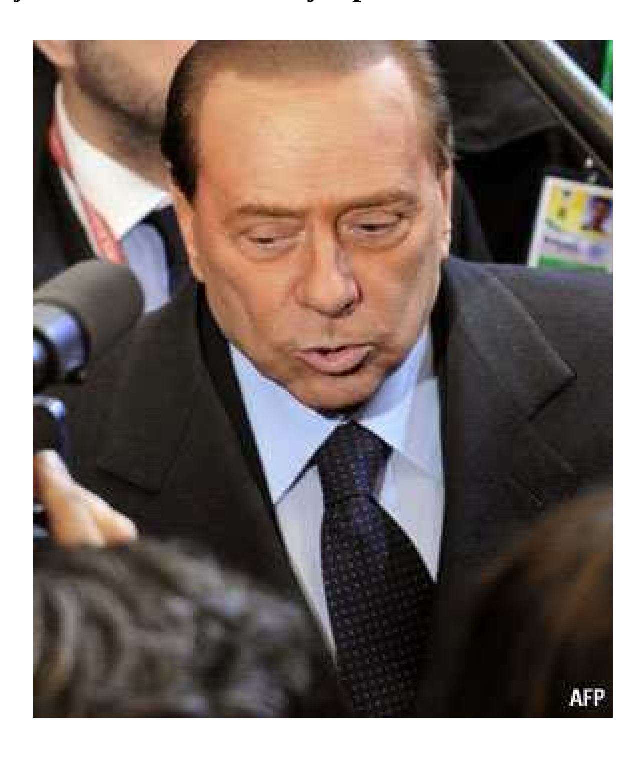
Index | Europe

Silvio Berlusconi is charged

Ruby red face

Feb 10th 2011 | *ROME* | from PRINT EDITION

The trial that looks likely will surely embarrass even Italy's prime minister



THE Italian prime minister, Silvio Berlusconi, has rarely been out of trouble during his 18-year-long political career. But file 5657/2011 of the Milan prosecutors' office looks as if it could give him his worst problems so far. The file, sent to a judge on February 9th, contains a request for Mr Berlusconi to be put on trial as soon as possible, charged with two unpleasant offences.

Mr Berlusconi is accused of buying the services of a juvenile prostitute and then trying to hide the fact by taking illegal advantage of his position. The two offences carry maximum sentences of, respectively, 3 and 12 years in prison. The prime minister denies any wrongdoing. He immediately hit back at the prosecutors, describing them as subversive, calling their investigation into his private life "a disgrace" and even threatening to sue the Italian state (though on what precise grounds is not clear).

The 782 pages of witness statements and wiretap-transcripts in the file depict Mr Berlusconi as spending his free time as if he were one of the sleazier Roman emperors: inviting dozens of showgirls and courtesans to dinners at his home near Milan that were followed by bunga-bunga sessions involving erotic play that in turn led to sex.

Milan's chief prosecutor, Edmondo Bruti Liberati, said that he and his colleagues had decided to ask for the prime minister to be indicted without a pre-trial hearing because of the "obviousness of the evidence" against him. One of Mr Berlusconi's guests was a young Moroccan runaway, Karima el-Mahroug, also known as "Ruby Heartstealer", who the prosecutors say was aged 17 at the time. Under Italian law, it is illegal to pay for sexual services of any kind if the provider is under 18. Mr Berlusconi has admitted giving his young friend several thousand euros. But he and Ms el-Mahroug both say the money was a gift: the prime minister took pity on her after hearing her claim to have escaped from a violent father.

In May 2010 Ms el-Mahroug, who had repeatedly run away from care, was taken to a Milan police station, accused of theft. But she was released after a telephone call from the prime minister during which he suggested that she was the granddaughter of Egypt's president, Hosni Mubarak. Mr Berlusconi's lawyers say he believed what he had been told. The prime minister himself said this week he had intervened to prevent a diplomatic incident.

It will now be up to the judge to decide whether to accept the indictment. Assuming that she does, as seems likely, Italy could be heading for a constitutional showdown. Mr Berlusconi's lawyers do not argue merely that the prosecutors lack a case, but that they had no right to investigate him (because they failed to refer the matter to a court for judging ministers that requires parliamentary approval to proceed). That may seem a technical point on which lawyers are best qualified to

decide. But on February 3rd it was endorsed by the lower house of parliament. By 315 votes to 298, the Chamber of Deputies rejected a search application from prosecutors because the case was being overseen by the wrong court.

Opposition lawmakers protested that parliament was exceeding its powers. Mr Berlusconi was said to be furious that prosecutors had not dropped the case as a result of the vote. On hearing that they had asked for his indictment, he accused them of "breaking the law [and] going against parliament". His ally, Umberto Bossi of the Northern League, said it was the start of "total war" between the legislature and the judiciary. This is dangerous talk. It encourages suspicions that the two men are preparing the ground for an early election in which a cornered Mr Berlusconi would appeal for a mandate to neutralise the courts once and for all.



Browse an

The Ruby case is not his only concern. He is a defendant in two trials on financial charges that are due to resume by March 11th. On March 5th a third case in which Mr Berlusconi is accused of financial irregularities will go to a pre-trial hearing.

The government's 17-vote majority over the office search suggests that, whatever his legal difficulties, the prime minister's position in parliament is still relatively secure. Yet he relies on Mr Bossi's continued support. And Mr Bossi has made clear that this will depend on whether Mr Berlusconi can steer through parliament a federalism bill to devolve greater spending power to local authorities.

On February 3rd a panel on which supporters and opponents of the government are evenly divided threw out the federalism bill. Mr Berlusconi then tried to get it on the statute book as a decree, but President Giorgio Napolitano refused to sign it. The plan now is to resubmit the bill to parliament and use a confidence vote to ram it through. Italy looks as if it is in for a torrid political spring.

Index | Europe

Communes in Berlin

German gentrification

Feb 10th 2011 | *BERLIN* | from PRINT EDITION

Lamenting the smartening-up of the old freewheeling Berlin



In defence of our island Utopia

TUCKED behind the grand facades along the old Stalinallee in East Berlin-Germany's "first socialist street"-was another Utopia. Graffiti-splashed Liebigstrasse 14 had ten flats, artists' studios, two washing-machines and 25 tenants who found room in Berlin for a way of life centred on sharing rather than striving. Films were screened free and half-litres of beer cost a euro. Hard-up residents could skip a few months' rent. "Collective living means you can share thoughts and emotions," says Jakob, a Liebig 14 denizen who gives only his first name. "You see how strong the connection between people can be."

On February 2nd the authorities shut it all down. Thousands of policemen arrived to carry out a court-ordered eviction, though they found only nine tenants. It was the throng outside that worried the police. Berlin's loose, left-wing "free space" movement quickly took up the cause. Protesters smashed windows, hurled paint and clashed with police. Big business and the state are legitimate targets for those stripped of their rights, they think. "This is not a rampage," says Jakob.

The nonconformists of Liebig 14 may be a dying breed but they are creating a backlash against gentrification. Berlin's squatter movement reached its apogee 30 years ago in the west. After the wall fell a second wave ensued, lured by east Berlin's vacant housing and a breakdown of police authority. Now illegal squats are virtually extinct. Liebig 14, occupied in 1990, started paying modest rents to the city soon afterwards. Mired in debt, the city sold the building to an investor who found a pretext to terminate the leases. Some 2,000-4,000 Berliners still live in such collective dwellings, down from 100,000 at the peak, reckons Armin Kuhn, who studies the phenomenon. A dozen are left in Friedrichshain, Liebig 14's trendy neighbourhood. "Room for an alternative way of life is getting ever smaller," says Mr Kuhn.

Rows about rising rents and their effect on Berlin's character are spreading. Because of the city's isolation and its former wall, the population in the centre is a socioeconomic jumble, poor by the standards of west European capitals. Although rents are still enticingly low they have risen fast (by roughly 20% between 2007 and 2010). Housing subsidies to poor families are not keeping pace. The number of one-person households has soared, increasing demand for flats. Residents of Friedrichshain-Kreuzberg, which straddles the old border, pay 30-50% of their income in rent, says Franz Schulz, the district's mayor. "That's why gentrification is so intense."

For a city fed up with being "poor but sexy" this is not all bad. Its future depends on attracting clever creative types who are not averse to designer coffee. Even the romantics of Liebig 14 play their part, seeding neighbourhoods with colour and creativity. They are unwilling "pioneers of gentrification," says Mr Kuhn.

These worries may now go mainstream. Mediaspree, a scheme to settle media and telecoms companies along the river, was rejected in a 2008 referendum partly because voters feared rising rents. The project is going ahead with modifications. "Anger about rents is on the rise," says Mr Schulz. "The population is slowly realising there's a structural problem." Even those in favour of urban renewal think it can go too far. Nobody wants another Prenzlauer Berg, a region north of Friedrichshain that Mr Schulz calls a high-income "monostructure". Berlin needs niches for mini-Utopias but does not know how to protect them. Unless it does, the city will be richer but duller.

Lithuania's Jewish history

Old wounds

Feb 10th 2011 | from PRINT EDITION

Clashing versions of Lithuania's history and how to treat it

FOR many Lithuanians a short-lived uprising against Soviet occupation in June 1941 was a fine thing. Although it was soon crushed by another lot of occupiers, the Nazis, the efforts of the Lithuanian Activist Front (LAF) were a valiant flicker of statehood before five decades of renewed foreign rule. Fans of one of the leaders of the LAF, Juozas Ambrazevicius, who died in exile, are planning to rebury him in Vilnius amid celebrations of the uprising's 70th anniversary.

Yet for many Jews and Poles, the uprising was not heroic, but the harbinger of death. Although later dumped by the Germans, the LAF was ferociously anti-Polish and anti-Jewish: thousands of Lithuanian Jews died in pogroms even before the Nazi killing machine was fully in place. A five-cornered fight followed, with reprisals and alliances among Jewish, Lithuanian-nationalist, Polish, Nazi and Soviet forces. By its end, most of the 160,000-plus pre-war Jewish population was dead, and most of the Poles had been deported.

Since 1991 scholars from all sides have been unravelling the murderous details, meticulously comparing sources and providing a nuanced account of its interlocking causes, including prejudice, outside incitement, revenge and cowardice. But for some campaigners, mostly from abroad, the historical reckoning has been both too slow and too soft. They detect a sinister pattern of neglect of Jewish sites, foot-dragging over restitution, harassment of Holocaust survivors in an investigation of alleged atrocities by Jewish partisans and an ultranationalist approach to history that belittles the Holocaust.

This discontent led to a public protest and bitter exchanges at a recent academic conference in London sponsored by the Lithuanian embassy (part of a year of official commemoration of the Holocaust). The campaigners read a letter denouncing both the Lithuanian government and international efforts to put Nazi and Soviet crimes on a similar footing.

That prompted a spirited rebuttal from historians and other conference participants, and not least from Irena Veisaite, a Holocaust survivor and leading member of Lithuania's small Jewish community. She found herself in the unusual position of being berated by a campaigner against anti-Semitism, a British-born film-maker and academic called Danny Ben-Moshe.

Ms Veisaite and her allies deplore the glorification of the LAF. They ascribe more blame to clumsiness than to malice in the Lithuanian authorities' actions. What worries them is hardening attitudes on both sides. Some Lithuanians feel that over-zealous foreign Jewish critics put too little store by reconciliation. "We are squeezed between two Talibans," says Sarunas Liekis, a Yiddish-studies professor from Vilnius. The same obstinacy that plagues Lithuania's relations with Poland, he says, lies behind politicians' refusal to reverse their mistakes on Jewish issues.

A wider question is over growing efforts to rejig Europe's approach to history. A declaration in Prague in 2008, backed by such luminaries as Vaclav Havel, demanded a Nuremberg-style reckoning for victims and perpetrators of communist-era crimes. Goran Lindblad, a Swedish politician who helped to draft the text, says the aim was not to downgrade the Holocaust but to "upgrade" Soviet misdeeds. It has attracted support in bodies such as the European Parliament. But it has infuriated some, if not all, Jewish activists; left-wing politicians (mostly from western Europe); and inevitably, Russia.

Protests in Serbia

Belgrade calling

Feb 10th 2011 | from PRINT EDITION

Opposition rallies confirm popular dissatisfaction with the government



Getting the message across

THE next general election in Serbia could be more than a year off, but the campaigning has already begun with a bang. On February 5th the Serbian Progressive Party (SNS) held the biggest opposition rally in Belgrade since the fall of Slobodan Milosevic in 2000. Its leader, Tomislav Nikolic, demanded that an early election be called by April 5th and threatened more protests if his call was not heeded.

The government shrugged this off, but the public's discontent is clear. Teachers and police have been on strike; health workers may soon join them. The economy is recovering but few people feel it. Unemployment stands at 19%. And the ruling coalition has been quarrelling. Tensions are evident within the biggest party, President Boris Tadic's Democrats. The government has lost authority, says Mladjan Dinkic, deputy prime minister. Big changes are needed, he says, to avoid defeat.

The SNS may know what it is against, but it is less clear about what is for. It was formed in 2008 by unhappy members of the extreme nationalist Radical Party, the leader of which is on trial in The Hague for war crimes. It professes to be pro-European. Mr Nikolic has even said grudgingly that he would arrest the fugitive general, Ratko Mladic, who is wanted by the war-crimes tribunal. An official retorts tartly that saying one is pro-European costs nothing. When the SNS was asked to pay a political price, by voting in favour of a parliamentary resolution to condemn the 1995 Srebrenica massacre by soldiers commanded by Mr Mladic, it balked.

A senior SNS official argues that the protests have shattered the government's attempt to paint an optimistic picture of Serbia. He notes that the SNS has a hard time getting a fair hearing not just in the state media but also in the private media-advertising revenue is controlled by people close to the government.

That the SNS is big and popular and most Serbs are unhappy with their lot is hardly news, says Marko Blagojevic, a Serbian pollster. Recent events, especially splits in the government, make it hard to predict when the country might go to the polls. But he doubts if SNS supporters have the stamina to keep up weeks of street protests. He also says that, if there

were an election now, a new government would look much the same. The reason is that, unlike the Democrats, the SNS has few potential coalition partners. Others are less sure, suggesting instead that the outcome might be an awkward coalition of the SNS and the Democrats.

Charlemagne

The union within the union

Feb 10th 2011 | from PRINT EDITION

What Angela Merkel's conversion to more euro-zone integration means for Europe



WHEN Germany and France disagree, everybody complains about paralysis in Europe. When they agree, the protest is about unacceptable diktats. So when Angela Merkel and Nicolas Sarkozy pushed an EU summit in Brussels to approve their "competitiveness pact", which calls for closer co-ordination of economic policies among countries using the euro, an outcry was only to be expected. Yet its vehemence took them aback.

Over a long and bad-tempered lunch, almost every other EU leader railed against something. Ireland rejected the idea of aligning EU corporate taxes (or at least the tax base) as a danger to its low-tax growth model. Belgium and Luxembourg resisted calls to abolish their system of index-linked wages. The Baltics said they should not raise their pension age as fast as west Europeans because their people tend to die younger. Poland denounced plans for separate summits of euro-zone leaders for being divisive. From Stettin to Trieste, many easterners feel, a curtain is descending again. This time it bears the symbol of the euro.

Mrs Merkel and Mr Sarkozy should in part blame themselves. They chummily bargained for weeks and then leaked the pact's details before telling their colleagues. The start of the summit on February 4th was delayed while the two conferred separately; lunch was then postponed while they gave a press conference to explain their plans. It was eventually left to Herman Van Rompuy, as president of the European Council, to find agreement in time for a special euro-zone summit in mid-March.

Whatever the details, one thing is clear: the EU is at a turning-point. The debt crisis is forcing the 17 euro-zone countries to pool economic sovereignty to a degree that was unthinkable before. And their relationship with the ten non-euro outsiders, ranging from eurosceptical Britain to east Europeans who are keen to join the single currency, has been thrown into doubt.

Mrs Merkel has invited all to join the competitiveness pact. She says it will complement, not replace, new mechanisms being created in Brussels: closer monitoring of national economic and budgetary policies; tougher sanctions to enforce fiscal rules; peer-review of budgets as part of the "European semester"; EU-wide economic guidelines called the annual growth survey; and the "Europe 2020" plan for structural reforms. "It's like a Russian doll, a *matryoshka* doll," commented Mrs Merkel. But the *matryoshka* image lends itself to another interpretation: of a union within a union. Mr Sarkozy is hailing the advent of European "economic government". He has long cherished the notion of a euro-zone club, with its own summits, to regain some of the influence that France has lost in a bigger EU.

That is not quite what he will get. The European Commission (the EU's civil service), disliked by both France and Germany, will keep a central role at the demand of smaller countries. There will be a euro-zone summit in March, but it will not for the time being be institutionalised, unlike the euro group of 17 finance ministers who meet (and pre-cook most decisions) a day before Ecofin gatherings of 27. Instead there are likely to be occasional summits (perhaps once or twice a year) of a "17-plus" group that includes countries ready to sign up to the competitiveness pact. This could grow to "27-minus", with only the British and Czechs staying out.

In a different era, all this might have caused great worry in Britain and, as a result, generated even more tension within the EU. But the new British government, deeply hostile to further EU integration, seems content to stand aside even as the euro zone binds itself closer. If that means a two-speed Europe, so be it: Britain thinks its outer lane, presently inhabited by the likes of Poland and Sweden, is faster.

By tradition Germany is strongly pro-European, and by political preference it likes to operate at 27, a format that gives like-minded fiscal hawks and free-traders greater influence. By her own history, as a daughter of East Germany, Mrs Merkel is averse to division within Europe. Last summer, after the first phase of the euro crisis saw the rescue of Greece and the creation of a big temporary bail-out fund, the German chancellor rejected French demands for summit meetings at 17. But the second wave, in which Ireland was rescued and fresh doubts were raised about the size of the fund, has forced Mrs Merkel to shift.

Angela's dilemma

Mrs Merkel will not allow the euro to collapse. But neither can she ask German voters to hand their credit cards to less disciplined countries. Her price for boosting the bail-out fund is thus a grand bargain, with the competitiveness pact at its heart. She wants members of the euro zone to abide by the example of the "best-performing countries" (ie, Germany), for example by adopting a constitutional or other domestic legal "debt brake". Germany will make itself heard-at a time of crisis, the euro zone needs its biggest creditor. But to be followed, Germany still needs the support of France. Mrs Merkel has yielded to Mr Sarkozy on matters of form, even if the substance is mostly German.

For domestic reasons, both leaders want to show they can lead Europe, and even to dictate terms. Mrs Merkel must demonstrate she can impose rigour on profligate Mediterraneans. Mr Sarkozy hopes that standing with Mrs Merkel at the helm of Europe will allow him to remain in charge of France after the 2012 presidential election. And reforms to push back the danger of France losing its AAA credit rating will be easier if they are part of a great European project.

Some complaints from fellow Europeans may be a necessary part of saving the euro and leading its members towards greater integration. But if Mrs Merkel and Mr Sarkozy overplay their hand, they risk causing both resentment and paralysis. That would prolong the crisis to the detriment of all.

Economist.com/blogs/charlemagne

Index | Britain

The Big Society

Platoons under siege

Feb 10th 2011 | *BURTON-ON-TRENT AND LONDON* | from PRINT EDITION

The "Big Society", David Cameron's flagship policy, is under attack-and not only from his Labour opponents



AT THE Burton Addiction Centre (BAC), a handsome redbrick building in the industrial town of Burton-on-Trent in Staffordshire, a group of addicts meets for a therapy session. One describes a childhood of violent abuse, followed by heroin and alcohol dependency. In reception, the phone rings constantly; calls are connected to the detox unit, probation service and a team of former addicts who now counsel current ones. It's a spider's web of rehab services, with one determined woman, Noreen Oliver, at the centre of it.

A recovering alcoholic, she set up the centre "because I saw from my own treatment that rehab needed to be closely linked into the community to have long-term results." Now the BAC offers residential patients a four-month therapeutic programme before helping them to find housing and work. Alongside government funding, it raises money from local businesses and charities; Ms Oliver is opening a cafe in the town that will employ former addicts. She is a staunch supporter of communities doing more to help their weakest members. "I don't expect money to always just be there," she says. "You also have to go out and get people involved."

As he struggles to save the "Big Society" from the blasts of opponents and infighting on his own side, David Cameron needs examples like this to show that his big idea is more than wishful thinking, or worse. His government's inclusive motto-"We're all in this together"-is being drowned out by accusations that its grand project is a cynical cover for public-sector cuts: the "Big Con", as one Labour MP puts it.

The Big Society evolved in opposition as the Conservatives sought to slough off their reputation as a heartless bunch, fixated only on economic outcomes. Besides reminding the Tory party to sound nice (never a bad idea), the concept had ideological roots. Mr Cameron and his allies are keen on pushing power away from central government. They want to encourage pluralism and competition in the delivery of services-and to dilute the British tendency to think that the public purse should be the first and only port of call for everything from libraries to children's centres.

In its first year, the coalition government has begun to deliver policies that reflect those beliefs (broadly shared by the Liberal Democrats, the Tories' coalition partners). A first, smallish wave of "free schools" are being set up (see article). There are to be more directly elected mayors in major cities and new, elected local police commissioners. The welfare system is being overhauled to let private firms and charities compete for more contracts.

But the Big Society has come up against the rough business of cuts: to shrink Britain's gaping fiscal deficit, the government is implementing drastic reductions in public spending. Protests about the impending closure of libraries and messy plans to remove woodland from public ownership have put ministers on the defensive. Even some of the Big Society's devotees in Number 10 admit that the upbeat message of mutual reliance has got lost in the rows over deficit reduction, and the consequences for charities and others that depend on local councils for money.

Councils such as Tory-controlled Hammersmith and Fulham in London that are selling off buildings used by charities stand accused of undermining the voluntary activity the Big Society is supposed to encourage. Liverpool's Labour council has withdrawn from a scheme intended to give community groups and volunteers more control over services. Meanwhile

Lord Wei, Mr Cameron's Big Society adviser, has reduced his own voluntary commitment to the task. Phillip Blond, a thinker who helped popularise the idea, has warned that it "is still not widely grasped or shared across all departments".

The Big Society's woes are not just a gift to the Labour Party. Some Tories believe that last year's general election might have been won outright had Mr Cameron not harped on about his pet philosophy, and are not reconciled to it. But its Tory critics are not restricted to the ranks of the unreconstructed right. One prominent new backbencher says the Big Society is already "dead in the water." Far better, he says, to focus on saving the economy and be judged on that.

Danny Kruger disagrees. He was an early proponent of the concept in his days as a Tory aide. Now he runs Only Connect, near Kings Cross station in London, a project for ex-offenders and youths in danger of drifting into crime. Mr Kruger's project, which boasts low reoffending rates of around 15%, relies mainly on donations from the City. He wants Mr Cameron to intervene when councils cut charitable grants instead of trimming their own payrolls. The Big Society, he says, needs "a revolutionary leader" in Number 10. Downing Street says the idea isn't supposed to be driven by top-down meddling.

At least the term has caught on, even if people are doubtful about what it signifies. Some surveys suggest the public sees the Big Society as a cover for cuts; polling by the *Sun*, a tabloid newspaper, showed that 46% thought it was "a good idea", but only 28% thought they knew what it meant.

A sounder indicator that the coalition might be unwise to forsake this agenda is its opponents' mimicry. Ed Miliband, Labour's leader, wants to build an "army" of 10,000 community volunteers. While decrying Mr Cameron's plan as a sham, he is likewise keen to revitalise people power. More thoughtful Labourites worry that dismissing localism leaves them stranded as the party of the bossy, big state.

Ultimately, the Big Society, flaky as it sounds to some, represents an ambition to make the state do less, do it better and encourage Edmund Burke's "little platoons" to take on more responsibility. Those aims are at the heart of Mr Cameron's new Conservatism. Whatever the label, he can't afford to give them up.

Index | Britain

Free schools

Playground politics

Feb 10th 2011 | from PRINT EDITION

Devolving power over schools while tightening purse strings requires guile



Gove's way

THE success of the government's bid to create new "free schools"-funded by the state, but able to set conditions for staff, pick and choose from the national curriculum, and so on-rests on its ability to wrest power from local authorities and give it to community groups. The policy is a key element of David Cameron's "Big Society", but suffers from the same difficulty as the overall project: pushing through devolution in a time of austerity is tricky.

The aim of free schools, which are based on American and Swedish models, is to give parents more choice and promote competition. New schools can be established by parents, teachers, charities, religious outfits, universities, private schools and not-for-profit groups. They will be given public funds based on how many pupils enroll, with those from poor families attracting a premium.

Despite an initial flurry of interest-more than 250 groups have applied to Michael Gove, the education secretary, to set up a school-the scheme is proving a hard grind. So far just nine institutions have been approved to open their doors in September; February 11th is the application deadline for others seeking to open this autumn.

One of the main reasons for the slow progress is the difficulty of finding premises. The rules governing what constitutes a suitable building for a state school are far more rigid than those for private schools, where lessons may-and often do-take place in incongruous surroundings such as hastily converted bedrooms.

By contrast, successful charter schools in America have occupied former shops, which the schools lease from commercial landlords. Sweden has less stringent regulations; it also allows companies that run schools to make profits, which gives them access to capital to buy and convert buildings. But Mr Cameron and Mr Gove shied away from allowing firms to profit from running schools that rely on public funds, leaving the state to pay for the premises.

Mr Gove has set aside just pound50m ($80m) for capital funding so far, most of which has been spent. Critics accuse him of diverting those funds from existing schools: he has cancelled a big programme to rebuild or refurbish every secondary school in England. Achieving his aim of establishing hundreds of new schools by 2015 might require reform of the planning system, as well as more money. Sadly a consultation on relaxing the rules has identified another problem: free schools risk pitting residents opposed to any increase in traffic, noise and litter against parents desperate to secure a decent education for their child.

Index | Britain

The Lockerbie bomber's release, revisited

The darkest deal

Feb 10th 2011 | from PRINT EDITION

An infamous terrorist's release had the tacit support of the government

THE previous Labour government wished for the release of Abdelbaset al-Megrahi, the Libyan convicted of the worst ever terrorist attack in Britain, who was sent home from a Scottish prison in 2009. It did "all it could" to secure that outcome-even if that wasn't much. So concluded an inquiry led by Sir Gus O'Donnell, Britain's most senior civil servant, whose report was published on February 7th.

Mr Megrahi was jailed in 2001 for planting the airline bomb that killed 270 people when it exploded over the Scottish town of Lockerbie in 1988. In 2009 the devolved government in Edinburgh released him on compassionate grounds: Mr Megrahi was cancer-stricken and said to have only a few months to live. He is still alive in Libya. The decision was controversial, provoking particular ire in America, whose citizens accounted for many of the Lockerbie deaths.

Gordon Brown, the prime minister at the time, has always insisted that the decision was taken by the Scottish administration alone-a position that the Scots, keen to emphasise their autonomy, have echoed. The report finds no evidence of London pressuring Edinburgh to release Mr Megrahi. But there was "an underlying desire" to see him freed; Britain advised the Libyan government on how to press its case for either his compassionate release or his transfer to a Libyan jail.

The British government did this, the report finds, because it believed that important national interests were at stake. The Libyans attached an "extremely high priority" to Mr Megrahi's return. In particular, commercial interests and co-operation on security issues hung in the balance. Relations with the Libyan ruler, Muammar Qaddafi, had thawed after he agreed to abandon his pursuit of weapons of mass destruction in 2003. Britain was eager to enhance the relationship.

David Cameron, the current prime minister, was tellingly restrained in his response to the report. He said facilitating Mr Megrahi's release was "profoundly wrong", but stopped short of an all-out condemnation of Mr Brown's behaviour and rejected the case for a further inquiry. Perhaps he knows that any government might have been tempted to help the Libyans. He was a vociferous critic of the decision in 2009, but he has already been in power long enough to know that principles do not always survive contact with the cold realities of government.

Index | Britain

A deal with the banks

Softball

Feb 10th 2011 | from PRINT EDITION

Britain's banks make peace with the government-for now

NO FIRM wants to be a political football. Britain's banks have worried about a worse fate: becoming the plaything in a grudge match between George Osborne, the chancellor of the exchequer, and his new Labour counterpart, Ed Balls. Public feeling about finance in Britain is already hostile enough without two of Westminster's fiercest bruisers competing to give the banks the hardest kicking.

With the banks desperate for an accommodation and the government keen to look tough, a deal on lending and remuneration was there for the making. After weeks of negotiations, that deal was announced on February 9th. From a political perspective, that was just in time: Britain's big four banks will soon report full year pre-tax profits of some pound20 billion ($32 billion), while the City will pay out a disgustingly healthy round of bonuses.

The agreement has several struts. The banks face a rise in the government's levy on their debts: the amount raised should be pound2.5 billion this year, about pound800m more than previously planned. They will also boost gross lending to

businesses this year to pound190 billion, some 6% more than last year (Santander, a Spanish outfit with a big British arm, has also signed up to this bit of the deal). The four big London-based firms will make sure that their bonus pools for staff based in Britain are smaller than last year, and disclose the pay of the five most senior executives not on the board.

It suits all concerned to hint darkly that the banks are paying a high price. But the sacrifices are marginal-as was more or less observed by Lord Oakeshott, before he quit as Treasury spokesman in the House of Lords for the Liberal Democrats (the Conservatives' coalition partners).

An extra pound11 billion of loans, split among four firms with trillions of assets between them, is a rounding error. Disclosing the pay of a few bankers, who in theory will remain anonymous, is an irrelevance, except perhaps for them. Freezing the bonus pot for British staff is more onerous; but given the banks' global nature, there are ways around it. Only RBS and Lloyds, both state-controlled, could face real problems retaining employees: they promise to cap upfront cash bonuses at pound2,000, which some masters of the universe will judge a meagre reward for their talents.

So the deal will not hammer the banks. But it is a concession, since it accepts government tinkering with pay and lending that could yet evolve into something tougher. The banks will hope they have secured a guarantee against more intrusive meddling by getting the government to make a broad statement about the industry's economic importance.

This included a commitment not to deviate too far from international banking norms, and to preserve the City's role as a financial centre. Although the government says it has not prejudged the Vickers commission, an independent body that is examining banking, its platitudes can be interpreted as code for "we promise not to do anything drastic, like break the banks up." That follows a recent submission to the commission from the Confederation of British Industry, a business lobby, which rallied to the banks' cause, stating that its members valued the services that big universal banks provided and that "breaking up existing banks is not the way forward."

A month ago, the chatter in financial circles was that Britain was the one rich country that might take a populist lurch. The banks will hope that the agreement reduces that risk. Mr Osborne, however, can look forward to many more thumping tackles from Mr Balls.

Index | Britain

Financing Scotland

War of numbers

Feb 10th 2011 | *EDINBURGH* | from PRINT EDITION

An offer of more power becomes an argument for independence

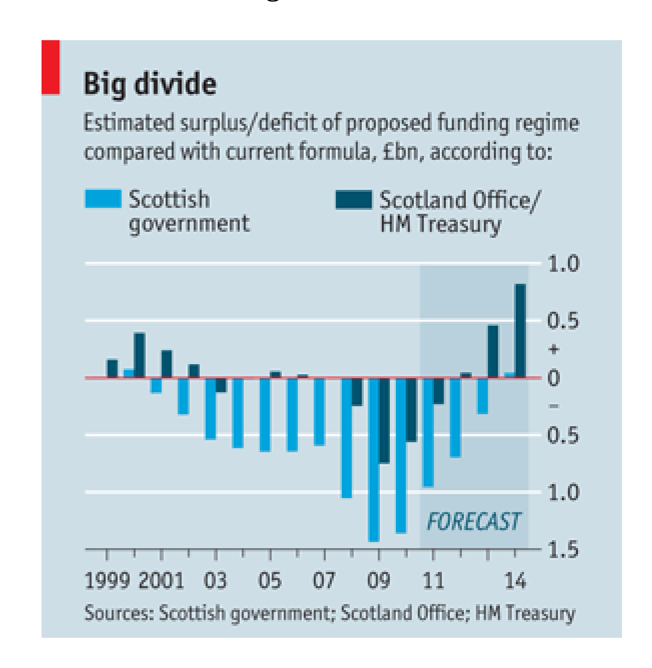
ALEX SALMOND, Scotland's nationalist first minister, hoped to persuade his countrymen to vote for independence during his term of office. The financial crisis, in which Scotland's giant banks were bailed out by the Treasury, looked to have scuppered that ambition. Indeed, opinion polls suggest Mr Salmond's Scottish National Party (SNP) is lagging behind Labour, its main opponent, in the run-up to May's elections for the Scottish Parliament. But he hopes that plans by Britain's coalition government to reform the way his administration is funded might turn the tide.

Drawing on proposals from a commission set up in 2007 with the support of Labour, the Conservatives and the Liberal Democrats, ministers plan to give the Scottish government more financial autonomy. At the moment, about 87% of its departmental current spending is funded by a Treasury grant; the rest is raised through local taxes. A bill now trundling through Westminster would give the devolved administration a much bigger say over tax.

Each year, starting in about 2015, the chancellor of the exchequer would set the income-tax bands in London as normal. But for Scottish taxpayers, the rate in each band would be 10p lower, while Scotland's grant would be cut by the amount the missing 10p was estimated to raise. The Scottish government would then set the Scottish component of income tax at a level of its choosing. Scots could thus end up paying more, less, or the same in income tax as taxpayers south of the border.

Two small taxes-landfill levy and stamp duty on property sales-would also be devolved. This would, the Treasury reckons, increase the proportion of the Scottish government's budget that it raises itself from 13% to 31%. It would also help to fix two glaring defects in the current set-up: that Scottish politicians have no incentive to make spending cuts and, despite some notional tax-varying powers, that they are not financially accountable to their voters.

Far from being pleased with these putative powers, Mr Salmond is appalled. He spies a Tory-Lib Dem plot, backed by Labour, to slash Scottish public spending. His government's budget is already expected to fall in real terms from pound29.2 billion ($47 billion) this year to pound25.9 billion in 2014-15; hoping that doom-mongering will scare voters back to the SNP, he says the new scheme will make things even worse.



His team estimates that if the income-tax plan had been in place since the Scottish Parliament was created in 1999, the Scottish government would have been deprived of a cumulative pound9.7bn by 2014-15. The Treasury indignantly disagrees. Its figures suggest a lower Scottish budget in some years, but a higher one in others (see chart), adding up to pound400m extra.

The reason for the wildly different calculations, officials say, is that Mr Salmond chose to base his on a single year when British tax receipts were high. This implies big cuts in the Treasury grant, a shortfall that is accentuated if public spending is rising faster than tax revenues, as happened for most of the last decade. Using average receipts yields a less dramatic effect.

Mr Salmond thinks this nuance will be lost on voters. Since Scots tend to mistrust any Tory government, he might be right.

Food manufacturing

Enter the chicken king

Feb 10th 2011 | from PRINT EDITION

The story of Northern Foods is a parable of supermarket power



IT HAS long seemed an industry to escape. A young Margaret Thatcher chucked in a job testing cake-fillings at a food manufacturer for a career in politics. Reginald Perrin, a 1970s sitcom character (pictured), faked his suicide to flee his life at a dessert-maker. Now investors in Northern Foods, a struggling firm based in Leeds, have been offered their own way out.

Ranjit Boparan, a chicken magnate, made a formal cash bid for Northern on February 9th. The firm's board had already recommended the offer to shareholders last month. A rival pitch might emerge from Greencore, a Dublin-based outfit, which had agreed a merger with Northern in November. But a revised Greencore bid would be likely to consist largely of its own stock, so wouldn't offer the exit that shareholders might well yearn for.

Food is a brutal industry. A fresh burst of commodity inflation has raised input costs, and the buying muscle of the big supermarkets makes it hard for food firms to pass these extra costs on. The grocers' clout is a boon to consumers: though dominated by a handful of big chains, Britain's retailing industry is competitive, and the margins squeezed from manufacturers are shared with shoppers. That buyer power is not such a blessing for suppliers, who struggle to hold on to any cost savings they make. Multinational firms, such as Nestle or Unilever, possess the heft and the must-have brands to push back. Small suppliers seem powerless.

Northern Foods isn't small (it has almost 9,500 employees) and owns some decent brands, such as Fox's Biscuits. But the mainstay of its business is supplying prepared foods to which supermarkets then attach their own labels. The firm was a pioneer of chilled prepared meals, partnering with Marks & Spencer (M&S) at a time when the fictional Mr Perrin's hopes were pinned on a breakthrough in non-wobble jelly. In 1987, to some fanfare, it opened a factory dedicated to serving M&S in Lady Thatcher's home town, Grantham. But as others caught up, Northern Foods found itself at the mercy of retailers who could quickly change suppliers if they wanted to pay less.

Supermarkets have in recent years sponsored greater capacity among chilled-foods suppliers, making it easier for them to play one off against another. When Northern Foods' management tried to insist on better terms, the grocers went elsewhere. The firm has had to mothball three ready-meal factories, each dedicated to a single customer, in as many years. The plant in Grantham was the first to go.

Northern's response to its declining fortunes and slumping share price was to seek a merger. It reckoned a tie-up with Greencore would yield the merged company pound40m a year, around 2% of joint sales, through cost and tax savings, and keener terms with its own suppliers. Behind the push for a merger lay a belief that a bigger, more diversified firm would not be so easily bullied by retailers.

Yet it is far from clear that Northern's main problem is insufficient scale. Other own-label suppliers have thrived despite pressures on profit margins. Cranswick, a supplier of upmarket pork products to supermarkets, has a bigger stockmarket value than Northern's with less than half the staff. Its revenues and share price have grown quickly in the past decade. The firm works closely with retailers to provide good service and improved products, and is very disciplined in controlling

costs, says Alex Sloane at Evolution Securities. Kerry Group, a big Irish firm with factories in Britain, is another own-label success story, says Mr Sloane. It makes the upmarket City Kitchen line of prepared meals for Tesco, as well as a Chinese ready-meal range.

The key to a good bargaining position for own-label firms, it seems, is to make it costly for retailers to change suppliers. The more reliable the supply, the better the goods and the more tailored the service, the harder it is for retailers to switch. This requires constant effort: a firm that stands still is a target for penny-pinching chains.

The big retailers are evidently satisfied with Mr Boparan's service. From humble beginnings as a teenage butcher, the 44-year old now supplies around a fifth of the chicken sold by Britain's retailers through his main business, 2 Sisters Food Group, based in West Bromwich. His offer of 73p for each Northern Foods share, made initially on January 21st, was at a 50% premium to the implied value of the merger with Greencore. That deal may be hard to better. And Mr Boparan's private firm has one big advantage over listed bidders: by offering cash, he allows investors to escape the food-manufacturing rat race.

Index | Britain

The effects of high fuel prices

Beyond petroleum

Feb 10th 2011 | from PRINT EDITION

The economic impact of expensive fuel is smaller than the political one

GRUMBLES about the price of petrol might seem marginal at a time of widespread tax hikes and spending cuts. But Westminster folk memories of the disruptive fuel-price protests in 2000 are vivid-and the government is watching with dread as fuel prices head skyward again.

According to the Automobile Association (AA), a motoring organisation, in January a litre of diesel cost 132.8p, a record in nominal terms, and a litre of petrol 128.3p, just shy of the all-time peak. True, oil prices are high: the cost of Brent crude is again nudging $100 a barrel. But government policy plays a big part, too, in the form of a rise in the rate of VAT from 17.5% to 20% in January and a separate increase in the duties levelled on petrol and diesel.

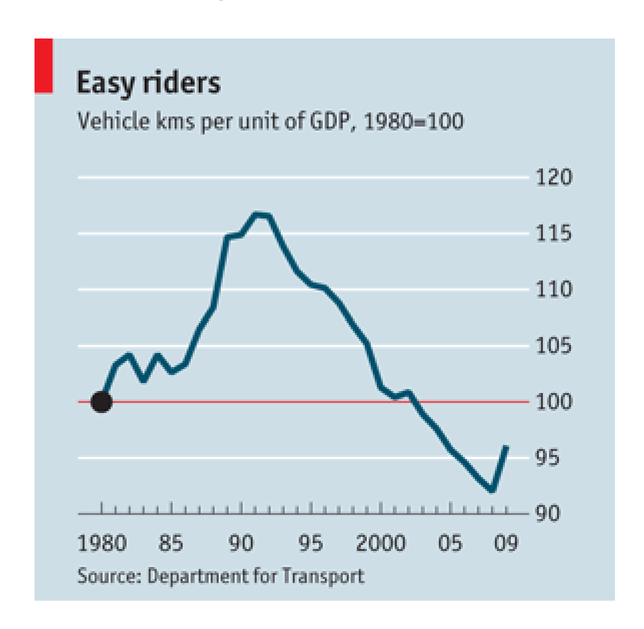
There have been small protests outside a couple of oil refineries (nothing on the scale of 2000, as yet), and angry articles in influential tabloid newspapers. Hard-pressed truckers and business groups such as the Federation of Small Businesses are complaining. Another rise in fuel tax, of 1p a litre, is planned to take effect in April, although few believe it will actually happen with prices already so high.

Rash promises made in opposition are coming back to haunt the government. One headache concerns the implementation of a "fair fuel stabiliser", a policy dreamed up by the Conservatives in 2008. The idea is to vary the rate of petrol duty to counteract movements in the oil price, with the aim of ensuring that pump prices stay more or less constant. The government now says non-committally that it is "looking into the idea"-procrastination that is probably wise, given the administrative headaches that such a scheme would cause and the strength of the opposition to it in the Treasury.

Yet despite the anger, the economic consequences of expensive fuel might not be as dire as is often assumed. To begin with, drivers are changing their habits in response to persistently high petrol prices. They are driving more slowly and less often: according to Luke Bosdet of the AA, petrol sales fell by 3.4% in the third quarter of 2010 compared with a year earlier, at a time when the economy grew by 0.8%.

High prices have also been eased by the slew of fuel-efficient cars that have come onto the market. Cars are taxed according to their emissions of carbon dioxide, which means in effect their fuel efficiency. According to the Society of Motor Manufacturers and Traders, cars in the three lowest-emission tax bands (out of 13 in total) made up 20.4% of all sales in 2009, up from 11% in 2008. Research by economists at Imperial College, London, suggests that, in the long run,

consumers are capable of making broad adaptations to higher fuel prices, whether through buying more efficient cars, making more trips by public transport or even moving house to minimise travel distances.



Deeper trends are at work, too. Transport is less vital to growth than in the past. For several decades after the second world war, growth in GDP and growth in vehicle travel marched in lockstep. In the mid-1990s, that relationship began to break down. It now takes four-fifths as many vehicle-kilometres of travel to generate a pound of GDP as it did in 1992 (see chart). The reasons are not wholly understood; many other developed economies are not experiencing this shift (though Finland, America and possibly Denmark seem to be). Alan McKinnon, a logistics expert at Heriot-Watt University, offers Britain's switch to a service-based economy, the offshoring of manufacturing, the rise in home-working and more efficient lorries as possible reasons.

Abstract arguments about macroeconomics are unlikely to mollify motorists cross about the cost of filling up their tanks. And for now, at least, there is little relief in sight. On February 4th OPEC, the oil-producers cartel, blamed taxes for expensive fuel; for his part, David Cameron has said that his deficit-slashing government is in no position to offer tax cuts.

Index | Britain

Britain's most important civil servant

The unsung radical

Feb 10th 2011 | from PRINT EDITION

The invisible, indispensable and surprisingly bold Jeremy Heywood



His masters' choice

HE IS so obscure that newspapers sometimes spell his name wrong; there is no "Jeremy Heyward" at the apex of the civil service. But Jeremy Heywood (pictured) merits more than merely orthographic attention. The permanent secretary at Downing Street is crucial both to the day-by-day running of the government and to its long-term reforms. Only David Cameron, the prime minister, George Osborne, the chancellor of the exchequer, and perhaps Steve Hilton, a back-room strategist, exert more influence across the full spectrum of policy areas and departments of state. Sir Gus O'Donnell, the cabinet secretary, is nominally the senior mandarin. But Mr Heywood wields more real power.

He made his name in the 1990s, during the dog days of the last Conservative government: Norman Lamont, an ill-starred chancellor for whom he worked, was reputedly in awe of his brain. He shone under the subsequent Labour government. As Tony Blair's principal private secretary between 1999 and 2003, he was one of the few people sufficiently trusted by both the prime minister and his chancellor, Gordon Brown, to serve as a mediator in their disputes. Indeed, after a sojourn in banking, he was brought back after Mr Brown inherited the premiership.

Mr Heywood's analytical rigour, quiet efficiency and ability to please masters of different political stripes are all typical civil-service traits. Less common among bureaucrats, however, is his radicalism.

The government is eager to create a more open and decentralised state. It has been shocked by the resistance from Whitehall generally. But it has been equally surprised by Mr Heywood's enthusiasm. He is always prodding departments to be bolder in publishing government data and pushing power down to the lowest tier possible. He also has an unforgiving eye for inefficiency, focused by his years in business and at the Treasury. He is helping to bring in a hard-nosed approach to defence procurement, for example. Insiders say it is difficult to come up with a reforming idea that would shock him.

Although Mr Heywood's radicalism is only really flourishing now, there were signs of it during the Labour years. It was reputedly thanks to his initiative that Britain championed the "Lisbon agenda" of free-market reforms in the European Union. It is no coincidence that he served Mr Blair in the years when the former prime minister's zeal for greater choice and competition in public services began to develop. Only under Mr Brown, a reluctant reformer at best, was he relied upon for general competence more than creativity.

Mr Heywood is just 49-none of the most senior figures in the government has reached his 50th birthday-and there is speculation about his future. He is seen as the natural successor to Sir Gus, who is expected to step down as cabinet secretary within the next 18 months. But some say that Mr Heywood is lukewarm about the prospect of this notional promotion. Heading the entire civil service means respecting its myriad vested interests in the status quo. The scope for championing big ideas is more limited than in his current role as Mr Cameron's enforcer.

Mr Heywood embodies a striking recent paradox in British politics. Prime ministers who want to devolve power from central government find themselves having to hoard it within their own office in order to achieve that sensible aim. They evidently see no other way of overcoming the resistance of Whitehall departments. Mr Blair set up all manner of strategy

and delivery teams that were answerable to him-a de facto Department of the Prime Minister-to force through changes that were threatened by bureaucratic inertia. Mr Cameron is copying this gambit of centralising in a narrow sense to devolve in the broader one. Mr Heywood is indispensable to this strategy.

Bagehot

Muscle v multiculturalism

Feb 10th 2011 | from PRINT EDITION

David Cameron challenges radical Islamists to a contest of ideas



ON FEBRUARY 5th David Cameron gave a speech about Islamism and British values at a conference in Munich. Back home, the rows have not stopped since. Much of the fuss has a distinctly synthetic tang. Absurdly, Sadiq Khan, the Labour shadow justice secretary, accused the prime minister of "writing propaganda" for a far-right group that held a rally on the same day. Conservatives chortled that Mr Cameron had hailed the end of multiculturalism. What he actually said was that a doctrine of "state multiculturalism" had encouraged Britons to live segregated lives. In its stead, he proposed a "muscular liberalism" that confronts extremism and promotes a British identity open to all.

In short, Mr Cameron's big speech was not as ferocious as his critics charge or some of his fans hope. The bad news is, large parts were an unconvincing muddle.

Much of it was not new. A year after the London bombings of July 2005 Ruth Kelly, then the Labour minister in charge of community policies, asked whether-in its anxiety to avoid imposing a single British identity on diverse communities-multiculturalism had encouraged "separateness". In December 2006 Tony Blair gave a speech on multiculturalism that reads like a list of Mr Cameron's talking points. Both prime ministers called for tighter controls on Muslim groups receiving public funds, an entry ban on foreign preachers with sulphurous views, a tougher line on forced marriages and an expectation that all British citizens support common values, from the rule of law to a rejection of discrimination. As for identity, under Mr Blair and his successor Gordon Brown the government was obsessed with "Britishness" (Mr Brown briefly floated plans for an annual "Britain Day").

Why, then, did Mr Cameron bother to give a speech that was greeted by one weary official with the lament, "here we go again"? Politics, partly. Few prime ministers can resist denouncing what Mr Cameron dubbed the "failed policies of the past". But mostly, Mr Cameron's intention was to weigh in on one side of a debate that has gripped Whitehall for a decade:

should the government fight terrorism by working with ideological extremists who claim to oppose violent acts in Britain (if not elsewhere)?

In its final counter-terrorist strategy in office, Labour plumped for challenging such "non-violent extremists". Mr Cameron is intervening because he thinks that decision has not been followed through, says a Whitehall source. The prime minister, says the source, has been persuaded by the "conveyor belt" theory-the belief that non-violent extremism is often a "way point" on the road to lethal radicalism. Mr Cameron thinks multiculturalism has drifted from a tolerance of other cultures towards a tolerance of other value systems, some of them hostile to Britain.

That stress on values raises some daunting problems. First, there is a tension between values and tactics. The most coherent critics of dangerous preachers are often imams who hold "pretty unpleasant views" themselves, argues a senior official. Groups beloved by ministers-such as the Quilliam Foundation, which backs calls for sweeping curbs on radical preachers-have "no credibility" among ordinary Muslims, another official says. Mr Cameron calls it "nonsense" that extremists help keep vulnerable Muslims away from violence. But he cannot wish away the trade-off between liberal values and street credibility.

Next, a lot of people outside the secular British mainstream reject at least some of Mr Cameron's list of non-negotiable British values: freedom of speech, freedom of worship, democracy, the rule of law and equal rights regardless of race, sex or sexuality. That sits awkwardly with his "Big Society" plans to deliver public services through community bodies, and especially his enthusiasm for faith schools. Many of these are essentially selective state schools in disguise, barely troubling the happy hypocrisies of British live-and-let-live agnosticism. But others offer a sharper challenge: evangelical Christian schools, Hindu academies, Orthodox Jewish schools or private Muslim ones that-quite legally-devote half the day to theology and Koranic studies and shun all arts and humanities subjects apart from religious education. This points up another muddle. For all Mr Cameron's talk of failed policies, something like state multiculturalism (ie, offering public support while ignoring tricky differences in values) remains the British default response to religions other than Islam, whose angriest fringe has overwhelmed unmuscular liberalism.

Good diagnosis, dodgy prescription

One final muddle. At the Munich conference, Mr Cameron correctly observed that some on the left think Islamist terrorism might be fixed by addressing grievances such as poverty or Western foreign policy. This, he noted, ignores the fact that many terrorists are middle class, and that lots of people loathe Western foreign policy without resorting to violence. He might have added that tackling poverty and changing foreign policy are anyway pleasing prospects to the left. Politicians are always tempted by the idea that something they already favour might be a magic solution to a problem.

But the prime minister then fell into the same trap, suggesting that some young Muslim men find it hard to identify with Britain "because we have allowed the weakening of our collective identity." That is catnip to Tories who want to teach children patriotic history. But that "because" is a logical stretch. True, young Muslims cannot identify with a vacuum. But filling it with assertive Britishness is no guarantee of winning hearts and minds.

Mr Cameron has committed Britain to a national contest of values with radical Islamism. That would be ambitious even without the muddle that underpins his challenge. Ignore his hysterical critics, and swooning cheerleaders. Mr Cameron has much more persuading to do.

Economist.com/blogs/bagehot

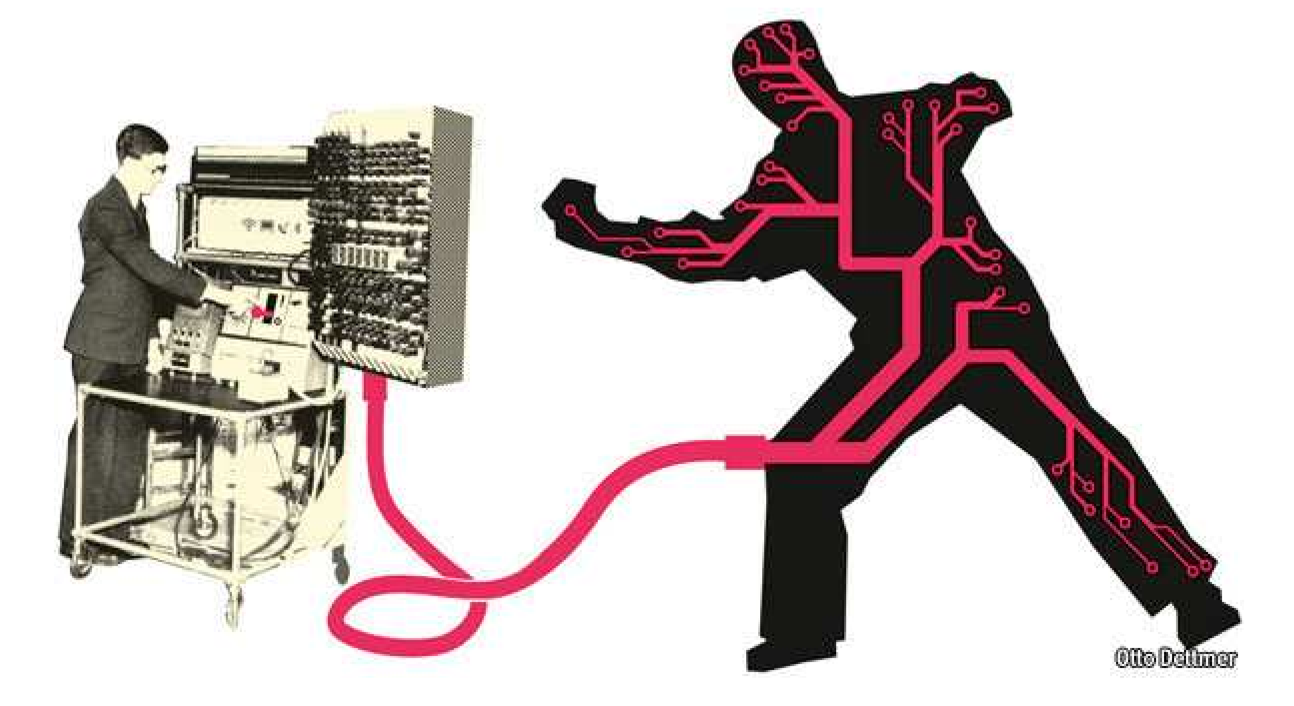
Index | International

Internet blackouts

Reaching for the kill switch

Feb 10th 2011 | from PRINT EDITION

The costs and practicalities of switching off the internet in Egypt and elsewhere



THE timing was dire. On January 25th American senators reintroduced a bill granting the president emergency powers to shut down parts of the nation's internet as a defence against cyber-attack. Three days later Egypt's embattled autocrats took their country offline.

The American bill's backers never expected an easy victory. But outrage at the five-day shutdown of Egypt's once-flourishing internet (used by 20m people there) and its mobile-phone network (used by 55m) has given opponents of the "kill switch" in America and elsewhere some powerful arguments. The people in charge of the internet in places such as Germany, Austria and Australia were among those who felt obliged to confirm that their governments would not seek similar powers.

Proponents of the American bill countered that they would never want a shutdown on Egyptian lines. Laws that govern radio and television broadcasts already give the American authorities the right to shut bits of the internet, they argue. The new bill merely clarifies and limits such powers. These would be needed, for example, if hackers took control of nuclear facilities, or were about to open the Hoover dam. Critics call this scaremongering and fear that the White House will gain unnecessarily sweeping powers. The people who run the networks are themselves best-placed to keep them safe, they argue.

Either way, in America the size and complexity of the networks, coupled with the fierce protection of laws guaranteeing free speech, make blackout or manipulation on an Egyptian scale almost unthinkable. A remote "kill switch", even if authorised, would be hugely complex and expensive to build and run, though some worry that the new cybersecurity agencies proposed by lawmakers are just the kind of bodies that would have a go.

The big lesson of Egypt may be less the danger of overmighty government than what it shows about how national authorities can (and can't) close down the internet. The authorities there simply told internet service providers (ISPs) to switch off their computers. The bulk of Egyptian internet surfers use only five providers. In less competitive markets, even fewer need be nobbled. In America, by contrast, the top five ISPs account for only half the market and the top ten for 70%. An American internet shutdown would require the co-operation or coercion of many hundreds of companies and individuals.

Mobile operators are increasingly ISPs too, as phones become smarter. In Egypt the authorities forced joint ventures run by Britain's Vodafone and France Telecom to suspend call and data transmission, citing the laws which govern their licences. Even after the operators were allowed to restore their services, the authorities used them to send propaganda messages. One read: "The Armed Forces asks Egypt's honest and loyal men to confront the traitors and criminals and protect our people and honour and our precious Egypt."

Egypt's blackout had plenty of chinks. Several groups abroad offered internet access through the terrestrial phone system to Egyptians who could afford to dial in with old-fashioned modems, though the service was slow and the calls expensive. Google and Twitter launched a "speak-to-tweet" service, enabling Egyptians to leave voicemails which were then converted into text and published on Twitter's microblogging service. People dusted off ham radios and fax machines.

Snap crackle pop

The more complex communications networks become, the harder it is to disable them swiftly, remotely or unilaterally. Cutting the fibre-optic cables that connect a country to the world, for example, might seem easy. The pipes are vulnerable: in 2008 Egypt temporarily lost more than two-thirds of its bandwidth when two submarine cables in the Mediterranean were severed, possibly by ships' anchors.

But crudely disconnecting cables risks outrage elsewhere: much of the internet traffic between Europe and Asia passes through the cables which also serve Egypt, for instance. And cutting international cables leaves a country's internal connections intact: the Egyptian authorities wanted not only to shut their citizens off from the outside world, but also to stop them communicating with each other.

Egypt is not the only country to try to suspend the national internet. In 2007 the authorities in Myanmar cut internet connections to counter anti-government demonstrations. Two years earlier a similar move severed services in Nepal. During the unrest in Tunisia in January, the authorities censored some news and social networking sites; Iran and Thailand have done likewise. Following ethnic riots in its Xinjiang province in 2009, China blocked e-mail, text messages and all but a handful of websites in the region as part of disruption that lasted for ten months; it has lately blocked searches for "Egypt" on several popular microblogging sites. But only North Korea denies its entire civilian population any access to the net.

Such regimes are unlikely to take heart from Egypt's experience. The internet and mobile crackdown did not derail the protests. The Organisation for Economic Co-operation and Development, an intergovernmental think-tank in Paris, estimates that the network shutdowns alone may have cost Egypt as much as $90m.

If anything, one lesson seems to be that enforced closure of the internet can backfire. A much cited slogan of late on the web is "If your government shuts down your internet, it's time to shut down your government." Some governments are eager to stress their commitment to open web access for all, no matter what. Estonia made internet access a human right in 2000. France has followed suit. A law passed in Finland last year guarantees every citizen a broadband connection.

Yet mandating internet access as a matter of course is far easier than guaranteeing it during national emergencies. And a greater threat for the internet than kill switches-as well as cable cuts and human error, for that matter-is creeping and muddled regulation.

Index | International

Plagues and livestock

Hot spots

Feb 10th 2011 | *DELHI* | from PRINT EDITION

How changing farming habits threaten public health



Richer pickings will mean more pigs and more diseases

YOU can be killed by an exotic variety of diseases in India. But until recently Congo fever was not one of them. A tick-borne virus, endemic to parts of Africa, the Middle East and elsewhere, it passes easily from livestock to man, and then between humans. Horrible symptoms include fever, internal bleeding and liver failure. Some 30% of infected humans die, usually within a couple of weeks.

The authorities in Gujarat, western India, were therefore alarmed when in January a medical intern died of the disease, formally known as Crimean-Congo haemorrhagic fever. Earlier in the month it killed three others: a patient, plus a doctor and nurse who had cared for her. These appear to be the first recorded deaths in India from the illness. On February 5th doctors reported two more cases in Gujarat. The fever's arrival is a mystery.

Nobody is predicting an imminent plague. But in a region with a booming human population, a strong agricultural (notably dairy) industry and lively trade, a virus that threatens both livestock and humans is troubling. Ticks that spread Congo fever can infect, and are spread by, many wild and domestic animals, including cattle and some birds.

The example is timely. Emerging infectious diseases that affect livestock and man alike are a threat to health and prosperity. International researchers in Delhi this week met to discuss how new agricultural practices, notably in livestock, affect public health. Livestock not only pass on new diseases to other species, including man, but also help spread existing diseases to new places.

Scientists spot a new disease roughly every four months. Most are trivial but a minority, such as HIV, bird flu and SARS are grave threats. Animals seem to be the main source of new infectious disease in man: in general around 60% of human pathogens are transmissible from animals; among new diseases, the rate is about 75%.

As rural populations in India and elsewhere expand, grow richer and eat more protein, backyards where a few chickens or pigs once scratched have become densely packed smallholdings of several dozen animals. These bring owners more wealth, but also hygiene and veterinary problems. One symptom is the poor quality of meat traded in markets. A 2009 study of pork sold in Nagaland, in the north-east of India, where smallholdings have been flourishing (Christians, fond of pork, are prevalent there), found that 9% of meat contained tapeworm cysts. More than half the customers said that they had seen such cysts in their meat at some time.

Smallholdings near or in urban areas may be especially vulnerable. Humans in such places are crammed close to their animals, helping viruses to spread. Elsewhere farmers may encroach on forests or other virgin land. That exposes them and animals to once-isolated bugs. More trade in livestock helps to pass along nasties too. For humans, booming towns-those of 250,000 people or more-with big slums are ideal spots to share disease.

These worries are not new. But researchers in Delhi argue that policymakers and farmers, keen to boost food supply, give too little thought to the threats to public health. John McDermott and Delia Grace, both of the International Livestock Research Institute in Kenya, estimate that the world contains 450m smallholder farmers. Where these are most numerous, notably in Asia, they create "hot spots", where a huge amount of germs circulate among thriving livestock and human populations, especially near cities.

Over the next couple of generations, many such smallholders will give way to larger, industrial farms, which are generally better at managing the risk of spreading plagues. But until that happens, say the researchers, small-scale farmers need to be told to cut risks, for example through cleaner farms and careful handling of carcasses. That would benefit man and beast alike.

Nokia at the crossroads

Blazing platforms

Feb 10th 2011 | from PRINT EDITION

It is not just the world's biggest handset-maker that has lost its edge. So has Europe's whole mobile-phone industry



APOCALYPTIC language fuels the technology industry as much as venture capital does. But Stephen Elop, Nokia's new boss, may have set a new standard. "We are standing on a burning [oil] platform," he wrote in a memo to all 132,000 employees of the world's biggest handset-maker. If Nokia did not want to be consumed by the flames, it had no choice but to plunge into the "icy waters" below. In plainer words, the company must change its ways radically.

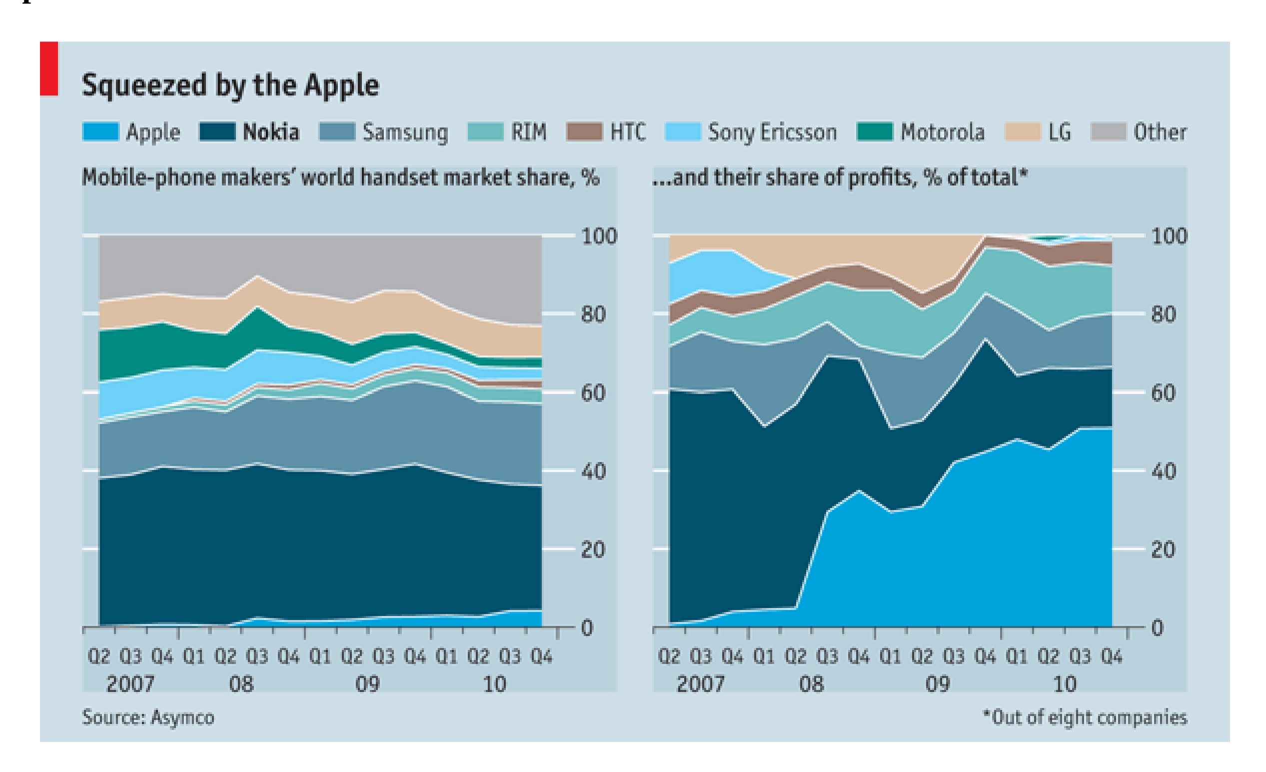
On February 11th, at a "strategy and financial briefing" in London, Mr Elop is due to announce the change he has in mind. The main question is whether Nokia will continue with its own operating system for smartphones, team up with Microsoft or perhaps even make a bet on Android, the fast-growing system developed by Google. There has even been talk that Mr Elop, the Finnish firm's first American chief executive, will fire senior managers and move the firm's headquarters to Silicon Valley.

This would be an astonishing upheaval for what was one of Europe's hottest firms. Behind Nokia's woes lurks a dismal reversal of fortunes, not just for the Finnish company but also for much of Europe's mobile-phone industry. In the 1990s Europe appeared to have beaten even Silicon Valley in mobile technology. European telecoms firms had settled on a single standard for mobile phones. Handsets became affordable, Europe was the biggest market for them and the old continent's standard took over the world. "Europe was the cradle for innovation and scale in mobile", says Ameet Shah of PRTM, a management consultancy.

This changed with the emergence of smartphones, in particular Apple's iPhone, which appeared in 2007. Nokia still ships a third of all handsets, but Apple astonishingly pulls in more than half of the profits, despite having a market share of

barely 4% (see charts, below). More Americans now have smartphones than Europeans. As for standards, Verizon, America's biggest mobile operator, is leading the world in implementing the next wireless technology, called LTE.

Cheap as chips



Nokia, along with the rest of Europe's mobile industry, is also being squeezed in both simple handsets and networking equipment. Cheap mobile phones based on chips from MediaTek, a company based in Taiwan, are increasingly popular in developing countries. By some accounts this system and its users now account for more than one-third of the phones sold globally, Mr Elop wrote in his memo. And at $28 billion in 2010, the revenues of China's Huawei almost equal those of Sweden's Ericsson, the world's leading maker of gear for wireless networks.

At its most fundamental, this shift is the result of Moore's Law, which holds that microprocessors double in computing power every 18 months. The first generations of modern mobile phones were purely devices for conversation and text messages. The money lay in designing desirable handsets, manufacturing them cheaply and distributing them widely. This played to European strengths. The necessary skills overlapped most of all in Finland, which explains why Nokia, a company that grew up producing rubber boots and paper, could become the world leader in handsets.

As microprocessors become more powerful, mobile phones are changing into hand-held computers. As a result, most of their value is now in software and data services. This is where America, in particular Silicon Valley, is hard to beat. Companies like Apple and Google know how to build overarching technology platforms. And the Valley boasts an unparalleled ecosystem of entrepreneurs, venture capitalists and software developers who regularly spawn innovative services.

Nokia had some additional problems to deal with. The firm realised its world was changing and was working on a touch-screen phone much like the iPhone as early as 2004. Realising the importance of mobile services, it launched Ovi, an online storefront for such things in 2007, a year before Apple opened its highly successful App Store.

But turning a Finnish hardware-maker into a provider of software and services is no easy undertaking. Nokia dallied and lost the initiative. Historically, Nokia has been a highly efficient manufacturing and logistics machine capable of churning out a dozen handsets a second and selling them all over the world. Planning was long-term and new devices were developed by separate teams, sometimes competing with each other-the opposite of what is needed in software, where there is a premium on collaborating and doing things quickly.

Olli-Pekka Kallasvuo, Nokia's boss from 2006 until last September, was keenly aware of the difficulty. To get an infusion of fresh blood Nokia bought several start-ups and was reorganised to strengthen its software and services. And it tried to turn Symbian, its own operating system for smartphones, into a platform in the mould of the iPhone and Android. "But just like Sony, Nokia has not found a way to shift from hardware to software," says Stephane Teral of Infonetics Research.

To allow Nokia finally to shed its hardware skin, Mr Elop, a former senior executive at Microsoft, was brought in-and apparently given what Mr Kallasvuo never had: carte blanche. This is why most observers expect him to carry out

thorough changes, concerning in particular the operating system on which Nokia intends to bet its future. The firm has to move fast if it wants to have a chance to create a third platform for mobile software and services next to Android and the iPhone.

Nokia is unlikely to throw in its lot with Android. The software may be open-source, but it comes with strings attached-notably Google's mobile services and advertising. This would reduce Nokia to being a device-maker and render obsolete many of its investments in services. Nokia could go it alone with MeeGo, a technically advanced but still incomplete operating system it is developing jointly with Intel, but some think that is unlikely. Or it could bet on Microsoft's new mobile operating system, Windows Phone 7.

Investors seem to prefer the Windows option. When rumours began swirling early this month that this was what Mr Elop was planning, Nokia's share price, which has dropped by two-thirds since early 2008, surged by nearly 7%. Teaming up with Microsoft would indeed have benefits, says Ben Wood of CCS Insight, another market research firm. Given his background, Mr Elop could surely make such a partnership work. And it could help Nokia make a comeback in America, where its market share is in the low single digits. On the other hand, argues Mr Wood, Windows Phone 7 has not been a huge success so far. It would also take at least six months before the first "Windokia" phones hit the shelves-a long time in a fast-moving industry.

Other bits of Europe's mobile-phone industry are already showing signs of revival. The revenues of ARM, a British firm, may only be in the hundreds of millions, but most microprocessors found in handsets and other mobile devices are based on its designs. Ericsson now generates 40% of its revenues with services, for instance by managing wireless networks around the world. And on February 7th Alcatel-Lucent unveiled technology that reduces the size of a wireless base station from a filing cabinet's to that of a Rubik's cube.

But for a full comeback, Europe will have to wait for an entrepreneurial culture like Silicon Valley's. This may not be as hopeless as it sounds. The beginnings of such a culture have taken root in recent years, and some successful start-ups have sprouted. One of the most popular games for smartphones, for instance, does not hail from the Valley but from Finland. "Angry Birds" has been downloaded more than 50m times since its release in December 2009. It is so addictive that compulsive players have been asking their doctors for help in kicking the habit.

Index | Business

Cisco

The anti-Nokia

Feb 10th 2011 | from PRINT EDITION

Is the world's biggest maker of networking gear spreading itself too thinly?

ASK John Chambers, the boss of Cisco, about the formative experience of his business life and he mentions his time at Wang Laboratories. The defunct maker of word processors failed to recognise the importance of cheap standard PCs and he had to oversee almost 5,000 lay-offs-something, he says, he never wants to do again.

The mass firing goes a long way towards explaining why Cisco, the world's biggest maker of networking equipment, is perhaps the best counter-example to Nokia. In contrast to the troubled Finnish firm, it is trying to make a business out of reinventing itself-so much so that investors wonder if the firm is stretching itself too thinly. Those criticisms are unlikely to go away after the quarterly results Cisco posted on February 9th. Earnings fell by 18% and revenues rose by an unexciting 6% year-on-year.

To avoid getting stuck in a market for obsolete products, Cisco is not entering just a couple of big new markets, but more than 30, including "virtual health care", "cloud computing" and "safety and security". It has devised what Mr Chambers calls a "replicable process". Groups of senior executives identify the opportunity, come up with a plan and, if it passes several filters, gets the go-ahead.

The success of this strategy is hard to gauge-Cisco does not reveal enough about the new efforts. But some seem to have taken off, for instance "telepresence", or high-end videoconferencing. Still, when Cisco announced in November that it had lost ground against upstart competitors in some core markets and hit "air pockets" in others, its shares tumbled by 16%.

"If we don't stretch ourselves, we'll get boxed in," Mr Chambers recently countered at a customer conference in London. But he seems to have tapped on the brake. He no longer talks about increasing the number of new markets the firm enters to 50 and beyond. And no additional ones have been announced for some time.

Despite this, Mr Chambers is likely to come under increasing pressure to justify his approach-in particular if the weaknesses persist and more than one of the new ventures turns out to be a flop. But such setbacks may be the price to pay if Cisco does not want to end up like Nokia.

Index | Business

AOL and the Huffington Post

Content couple

Feb 10th 2011 | *SAN FRANCISCO* | from PRINT EDITION

An internet veteran weds a youthful online bride



Tim's got his hands on Arianna's content

IF ANY firm can testify to the risks involved in corporate mating it is AOL. At the end of 2009 the internet firm split from Time Warner, a media and entertainment giant, finally putting an end to one of the most disastrous mergers in American business history. But in spite of its traumatic experience, AOL still believes in the virtues of marriage: on February 7th it announced a plan to buy the *Huffington Post*, a web service founded in 2005, in a $315m deal that it claims will make everyone involved richer rather than poorer.

The proposed transaction, which is expected to close in a few weeks' time, combines two businesses that have bet their futures on online content. Since it spun out of Time Warner, AOL has turned itself into something of a mini media conglomerate, gobbling up lots of blogs and video-production companies, as well as launching its own internet initiatives such as Patch, a network of local online newspapers. The *Huffington Post*, meanwhile, has carved out a reputation for itself as a left-leaning news and content-aggregation site that has a loyal following.

The acquisition also brings together two prominent web executives. Tim Armstrong, the charismatic boss of AOL, cut his commercial teeth at Google, where he was a member of its senior executive team before jumping ship to join his current employer. Arianna Huffington, a co-founder of the site that bears her name, is an author-turned-entrepreneur with a knack for spotting what's hot and for repackaging other people's words in attention-grabbing ways. Ms Huffington, who will oversee all of AOL's merged editorial operations, has described the move as akin to "stepping off a fast-moving train and on to a supersonic jet."

The trouble is that the jet's engines appear to have stalled. In the last quarter of 2010 AOL's revenues plummeted by 26%, to $596m, after falling by a similar percentage in the previous three-month period. Part of the problem is that the company is still saddled with a dial-up internet-connection business that is shrinking rapidly as users switch to faster services. But the company has also been struggling to get its content machine humming. In a memo leaked recently, Mr Armstrong called for a Stakhanovite effort from AOL's workers, who were urged to increase their output of stories and videos dramatically in the coming months.

The *HuffPo*-AOL deal may help ease some of the pressure by letting each side drive traffic to the other's content. It will certainly give the merged sales team's members a bigger overall audience to boast about. According to comScore, a research firm, the *Huffington Post* attracted 25m unique users to its site in December. AOL estimates that the newly combined business will boast about 270m unique users each month from around the world.

The marriage could have another important benefit. By stocking up on quality content that appeals to a well-heeled audience, AOL can differentiate itself somewhat from other "content farms" such as Demand Media, which produce mountains of content cheaply for an eclectic readership. This business model could be dented badly if, as seems likely, Google and other search engines crack down hard on poor-quality content and spam that their users complain are polluting search results. AOL would suffer too from this, but material from its network of quality blogs and the *Huffington Post* would help to cushion the blow.

So is the amount that AOL is paying for its target justified? As with any deal, much will depend on how well it handles the integration of the *Huffington Post* and on how online-advertising markets fare in the future. The firm is said to have estimated that the deal will add $30m to its profits this year. That implies it is paying ten times that amount for its target-a multiple that is not excessive by internet standards. Moreover, this calculation does not take into account any improvement in AOL's existing operations such as Patch, which should benefit from Ms Huffington's magic touch. "If all this works, it will look like AOL got a real bargain," says Laura Martin of Needham & Company, an investment bank.

Indeed. But steering a combined *HuffPo*-AOL to success will not be easy. No sooner had news of the deal appeared on the *Huffington Post* than its users were worrying out loud that the site's distinctiveness would be blunted by its new corporate parent. "I feel like I just found out my partner cheated on me (and with someone much uglier like AOL)," wrote a distraught reader. Mr Armstrong and Ms Huffington will have to work overtime to show sceptics that this particular corporate marriage makes sense.

Index | Business

Japanese corporate performance

New against old

Feb 10th 2011 | *TOKYO* | from PRINT EDITION

Amid the zombies are a handful of zesty businesses

ZOMBIES still stalk Japan's corporate landscape. These barely profitable companies, propped up by cheap bank loans, include railways that expanded into property and retailing, like Kintetsu. It offers a microscopic return on assets of 0.2%. "These things are quivering heaps of excess baggage," sighs Peter Fuchs, an independent equities analyst. Yet because they are stuffed with debt that they pay off with steady cashflow, banks love them.

The zombies make Japanese business look comedic. Around two-thirds of all Japanese firms do not earn a profit (at least for tax purposes). More than a quarter of companies on the Tokyo Stock Exchange had operating margins below 2% over the past decade. Bosses complain that younger executives lack assertiveness; the media grouse about unambitious "grass-eating men". Even the governor of the Bank of Japan, Masaaki Shirakawa, acknowledges that the country's near-zero interest rates undermine corporate performance.

However, there is a more optimistic facet of corporate Japan-a large cohort of super-performers. These well-managed companies with excellent technology have impressive returns. Some 7% of Japanese manufacturers have profit margins of more than 15%, according to a new study* by Ulrike Schaede of the University of California, San Diego. And they play a substantial role in the economy: a quarter of firms account for almost half of all manufacturing profits.

These high achievers represent the "new Japan", says Ms Schaede. At the top of the chart is Keyence, which makes factory-automation equipment and had average profit margins of 47% between 2000 and 2009. Fanuc, a world leader in factory robots, enjoyed 33% returns. Last month it reported a quarterly operating profit of Â¥49 billion ($594m) on sales of Â¥118 billion. Gree, an internet company, boasted profit margins last year of 56%.

Most of Japan's high-performance companies make "intermediate goods", such as electrical components, specialist chemicals and precision-machinery parts, rather than final products. Drug firms also figure high on the list. But here the common features end. The group includes the large and the small, the export-oriented and the domestically focused. It spans high- and low-tech: Axell designs microchips for *pachinko* (roughly, pinball) machines; Nifco makes plastic fasteners to attach car parts. And the new Japan has some old members: Ono Pharmaceutical, a drugmaker with margins of 37% between 2000 and 2009, was founded in 1717.

The new-Japan companies succeed by resisting old practices. They eschew the "main bank" system, in which firms are closely tied to their lenders, and the *keiretsu* system that keeps business interactions within family-like groups. Moreover, they are meritocratic and hire mid-career employees. Old-Japan firms generally retain a promotion and wage structure based on tenure rather than performance, and resist hiring from outside, preferring to groom talent internally. "They defy the traditional rules of Japanese business culture," explains Stefan Lippert of Temple University in Tokyo, who studies Japan's "hidden champions".

Mr Fuchs argues that even Japan's excellent performers suffer from a low productivity of capital, such as keeping hoards of cash for a rainy day. Ms Schaede muses that the low profitability of zombies may be a rational response to Japan's high corporate-tax rate, making it more attractive to spend money than to hand it to profligate politicians. There is far less shareholder pressure in Japan, though this is changing.

As the corporate landscape bifurcates between the nimble and the ailing, there is a view that the excellent traits will rub off on the losers and the whole economy will benefit. This may be wishful thinking. Just as likely, the gap between the winners and the rest will widen. A mob of zombies will stalk the night, and a handful of zesty firms will dance at dawn.

* "Show me the money: Japan's most profitable companies of the 2000s". Working paper, University of California, San Diego, February 2011.

Index | Business

Business and psychology

How firms should fight rumours

Feb 10th 2011 | from PRINT EDITION

Denial is useless. Spread happy truths instead

IF YOU Google the phrase "Middle East rumours", the first link that pops up is not, as you might expect, a website propagating conspiracy theories. It is Coca-Cola's website. For several years now the company has struggled to rebut ridiculous rumours about its products.

For example, some people believe that if you read Coke's Arabic logo backwards, it says: "No Muhammad, No Mecca". Others insist that the company is owned by Jews, or that it bankrolls Israel. These rumours are one reason why Coke does worse than Pepsi in Arab countries. Yet they are all false, as Coke's website explains in painstaking detail.

Such rebuttals are unwise, argue Derek Rucker and David Dubois, of the Kellogg School of Management, and Zakary Tormala, of Stanford business school, three psychologists. By restating the rumours, Coke helps to propagate them. Its web page is a magnet for search engines. And people who read rebuttals tend to forget the denial and remember only the rumour, says Mr Rucker.

As information is passed around, important qualifiers are lost. A rumour may start as "I'm not sure if this is true, but I heard that..." Then it evolves into: "I heard that..." Finally it becomes: "Did you know that...?" Even when no one intends to spread falsehoods, they spread.

In several experiments, Mr Rucker and Mr Dubois planted rumours among undergraduates. They found that with each repetition, scepticism diminished. The rumours themselves did not change; only the likelihood that the students would believe them. These findings were published in a report called "The Failure to Transmit Certainty".

Instead of denying false rumours, a company should put out a stream of positive messages about itself, reckon Mr Rucker and Mr Dubois. This deprives myths of oxygen and also nudges people to doubt nasty things they may hear about the company in question.

Other companies could learn from this. McDonald's hamburgers have been said to contain worm meat, Procter and Gamble is reputed to have Satanic links and Facebook is rumoured to be shutting down so that its founder, Mark Zuckerberg, can have his life back. All these rumours are utterly false, but the firms in question would be well advised not to bother denying them.

Index | Business

Deutsche Bahn

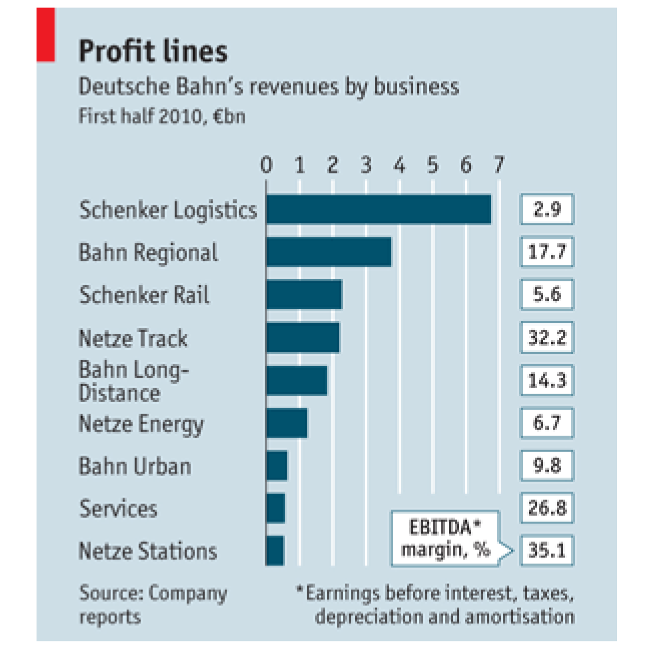
Winter of disconnect

Feb 10th 2011 | *BERLIN* | from PRINT EDITION

A railway in need of a new direction

GERMANY'S state-owned railway, Deutsche Bahn (DB), has fallen from grace-especially with Berliners who had to wait for hours in pre-Christmas snows for commuter trains that never came. Long-distance trains also broke down or were delayed all over the country. Frustrated staff made all kinds of excuses, including an old favourite of the British railways, the "wrong kind of snow".

But the fact is that DB failed to invest enough in its infrastructure at home as it expanded abroad and tried to drive up profits to prepare for a partial privatisation. Even now Berlin's commuter trains cannot exceed 60kph (40mph) because of winter maintenance problems. Yet things may improve after a decision by the Federal Court of Justice on February 8th.



The sprawling DB group-it operates buses, ships, couriers and logistics services as well as trains in many countries-makes most of its money running regional traffic and tracks at home (see chart). However, the temptation has been to invest the proceeds elsewhere. During the past decade DB has bought two freight companies, Schenker and Bax Global, as well as various railway companies in Britain. Last year, for instance, it acquired Arriva, a British operator of trains and buses, for pound1.6 billion ($2.3 billion). It also runs freight trains through most of Europe and has a joint venture in Qatar.

DB's neglect of its infrastructure can be attributed largely to Hartmut Mehdorn, its punchy chief executive for almost ten years until a scandal forced him out in April 2009. Keeping trains running was less of a priority than turning DB into a global logistics company and, even more, getting it ready for partial privatisation. Both ambitions have now been scaled back, the latter in particular. Privatisation is still on the government's agenda, but the rail network, considered a natural monopoly, will stay in state hands. Peter Ramsauer, the federal transport minister, has promised that euro3.9 billion ($5.2 billion) will be invested in the network this year, roughly the equivalent of its annual revenue.

The federal court decision, however, is likely to do more to get German trains back up to speed. Because of the ruling, DB will face more competition for the train services it provides to regional transport bodies. In a dispute over a contract between DB and one of these bodies, Verkehrsverbund Rhein-Ruhr, which operates in North Rhine-Westphalia, Germany's most populous state, the court ruled that regional railway contracts should in future be put out to public tender. It made an exception for contracts being awarded for the first time. Historically, most such contracts were arranged bilaterally. Many suspect this has stifled competition for years.

The judgment will affect more than 100 contracts which are up for renewal over the next five years. DB points out that rival operators already negotiate direct regional contracts and have secured seven of the last 12 awarded. But the ruling means that DB's near-monopoly of regional traffic (its share is estimated to be 88%) is likely to erode more quickly.



The wrong kind of ice too

This development should reduce DB's profitability, though its performance is difficult to separate from the subsidies it enjoys. These include grant-backed investments, such as euro2.5 billion a year for the rail network. The government also gives states euro7 billion a year to subsidise regional rail contracts.

More competition should make DB work harder on its home turf. Folk blame the railway but successive governments have much to answer for: for years they let DB ride two horses. It took a severe winter snap to expose the risks of this strategy.

Index | Business

Business in Somalia

Commerce amid chaos

Feb 10th 2011 | *MOGADISHU* | from PRINT EDITION

Canny traders adapt to anarchy

SEVEN dhows and three freighters float in the sunlit port of Mogadishu. White dinghies bob out on the petrol-blue waters. Fisherboys wade to the beach shouldering sharks and swordfish. Sandbagged machinegun nests protect peacekeepers from the African Union (AU). Together with Somali soldiers, the AU has pushed the Shabab (an Islamist militia linked to al-Qaeda) deep into the city, so there has not been a mortar strike on the port since October. "We're open for business again," beams a trader.

In 1331 a Muslim traveller, Ibn Battuta, described "Maqdashu" as one of best cities in the world in which to do business. Somalia's capital has lost that distinction. On the upside, there is no taxation system to speak of. On the downside, there is no government to speak of either. (A "transitional government" more or less controls part of the capital.) No government means no irksome regulations. But it also means that contracts are hard to enforce, and that firms must spend 10% or more of their earnings on security measures such as gunmen.

Still, there are ways for canny traders to get by. Sales of imported electronics are brisk. Nine mobile-phone operators in Mogadishu offer cheap calls. It is hard to connect between networks, but that is beginning to change. Some operators, including Golis, HorTel and Telesom, have banded together to launch a mobile banking service allowing traders to send and receive payments on their phones.

The port is Mogadishu's biggest employer. Ancient cranes lift cement and oil drums. The rest is done by hand. The 4,000 or so stevedores are paid in cash and employed along clan lines. The transitional government's entire revenue, says its finance minister, Hussain Abdi Halane, is the $1m a month it gets in customs revenues from the port. It makes a hash of collecting even that. "They should be getting $6m a month," says a logistics manager who has examined the port's accounts. "Most goods do not get near the customs."

"Hunger is the first priority," says Mohamoud Ahmed Nur, the mayor of Mogadishu. The dhows are stacked with pasta, rice, sugar, flour and cooking oil. One of the freighters has been chartered by the UN World Food Programme to bring in food aid, which is the biggest earner for local transport contractors. Some 3m of Somalia's 8m people need aid to subsist.

The most lucrative import is *qat*, a stimulating leaf chewed by Somali men. It arrives on small planes from Kenya and Ethiopia. There is a madcap drive from the airstrip to the city: those who reach the market first receive the best price.

Mogadishu's marketplaces, Bakara and Hamarweyne, bustle with enterprise. Many deals are done in Somali shillings, a currency without a central bank to support it. Local businessmen guess the shilling is kept afloat by "common assent". Remittances in hard currency funnelled through *hawala* (Islamic word-of-mouth banks) may have more to do with it. The biggest of the banks, Dahabshiil, has offices in 40 countries. It moves a "large share" of the $1 billion or more that Somalis abroad send to relatives back home each year. "We now operate under full banking licences," says Dahabshiil's boss, Abdirashid Duale, who spends much of his time in London.

Manufacturing in Mogadishu is not what it was. There are bottling plants for water and Coca-Cola, plus tanneries, garages and a cannery. But that is about it. Other factories have rusted. Banana and tomato exports collapsed long ago. Cattle and camels still earn money, as do goats shipped to Saudi Arabia for slaughter by pilgrims to Mecca. The fishery is promising, especially since pirates have scared off illegal tuna boats. But Somalia's lawlessness is visible in the booming charcoal trade, which is annihilating what's left of the country's trees. Dhows docking at Shabab-controlled ports pay $5 a sack and sell it in Dubai for $15.

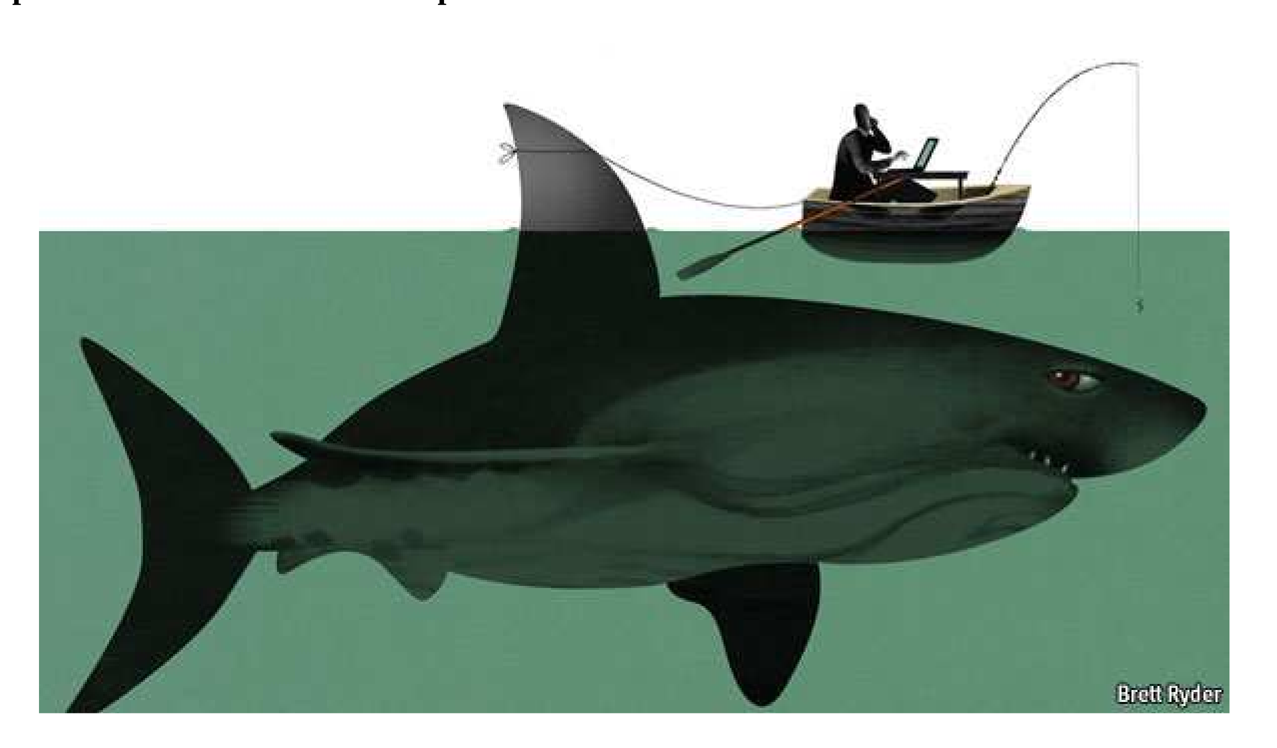
Index | Business

Schumpeter

Beyond economics

Feb 10th 2011 | from PRINT EDITION

Businesspeople need to think harder about political risk



A MONTH ago Ahmed Ezz was one of the most powerful businesspeople in Egypt. He controlled about 40% of the country's steel production, oversaw the rigging of the election for the ruling party in December, and, most important of all, was a bosom buddy of Hosni Mubarak's son and heir apparent, Gamal.

Today he is a has-been. Protesters have demonised him and torched his company headquarters. The old guard has dumped him as a liability. He is under investigation, his assets have been frozen and his right to travel has been restricted. Western companies that cultivated Mr Ezz wasted their time and money.

It was once regarded as axiomatic that globalisation would marginalise politics. Theodore Levitt, one of Harvard Business School's leading thinkers, argued that "the Earth is round but, for most purposes, it's sensible to treat it as flat". Kenichi Ohmae, a Japanese business guru, published "The Borderless World" and "The End of the Nation State". Giant companies such as IBM and Ford played down the importance of country managers in their efforts to create globally integrated behemoths.

The events in Egypt are a reminder of how foolish such "borderless" thinking can be. Dick Cheney once remarked, "The Good Lord didn't see fit to put oil and gas only where there are democratically elected regimes friendly to the United States." It might be added that the Good Lord did not see fit to put economic growth in equally desirable places. The corporate world is rightly excited by the pell-mell growth in emerging markets, but these are rife with political risks-weak legal systems, makeshift institutions, volatile cities and fragile regimes.

A growing number of countries, most notably China but also Russia and the Gulf states, are using business as an instrument of state power. And some of the world's biggest companies, including most of the largest oil firms, are state-run, driven by political as much as economic considerations.

China is the leading offender, using state companies to snap up a growing share of the world's natural resources. It is also using its state-industrial complex to pursue political goals. Google was forced to re-route its servers when it refused to censor e-mails. Four Rio Tinto executives were imprisoned in dubious circumstances. China is not alone: BP's new partnership with Rosneft, Russia's state-controlled oil giant, to develop Russia's Arctic region is complicated by murky political considerations.

Political risks can also bite Western companies at home, where governments are increasingly vigilant about corruption. The Obama administration is enforcing the Foreign Corrupt Practices Act with an evangelical zeal-and employing techniques once reserved for fighting organised crime. The British government is introducing tough anti-bribery measures. Executives who adopt what they regard as "local" rules in Thailand or Indonesia can find themselves facing prison sentences back home.

How do companies cope? There are no simple rules. Countries that are cavalierly lumped together as emerging markets have very different political regimes. In Brazil you need to understand Congress's multi-party alliances; in China the power dynamics of the Communist Party; in Saudi Arabia the internal relations of the ruling family. Local politics add yet more complexity.

The most important advice is to take politics seriously. Oil and mining companies have always done this. Royal Dutch Shell has run a profitable business in Nigeria for more than 50 years despite a dangerous and volatile environment. "New economy" companies have tended to be much more naive. The Egyptian crisis demonstrates that they cannot avoid being caught up in political battles which are now fought over the internet. A Google executive in the region, Wael Ghonim, also doubled as a leading political activist.

A bit of help

Companies can buy advice from political-risk consultancies such as Control Risks, a British outfit, or Eurasia Group, an American one, or various niche consultancies set up by political bigwigs, from Henry Kissinger on down, and ex-ambassadors. (Full disclosure: the Economist Intelligence Unit, a sister organisation of *The Economist*, also offers advice on political risk.) Ian Bremmer, the president of Eurasia Group and a rising guru in the area, has written some provocative books on the subject.

But companies need to go further than just buying advice. They need to put more emphasis on local knowledge: many globalisation-obsessed companies may come to regret the fashion for downgrading country managers. They also need to be less impressed by the appearance of stability. The rapid collapse of Egypt's autocracy should be food for thought for companies that have bet big on China (with its appearance of order) rather than India (with its messy democracy).

Some techniques have proved particularly successful. One is diversifying operations. Chrysler escaped a wave of nationalisation in Peru because its local factory manufactured only half the components needed to assemble a car. Another is putting down deep local roots. Over the years Shell has trained and employed many of the people who regulate Nigeria's oil industry. A third is sharing risks. A growing number of companies form complex alliances with other firms, NGOs and government bodies.

Yet all these techniques come with a sting in the tail. Creating global operations may spread risks rather than isolating them when a vital factory is closed. Cuddling up to the local regime may turn you into an object of hatred, as Shell has discovered in Nigeria. Weaving alliances with local people you cannot fully control may expose you to charges of corruption. It turns out that political economy is a much more complicated subject than its trendy modern offspring, economics.

Economist.com/blogs/schumpeter

Index | Briefing

3D printing

The printed world

Feb 10th 2011 | *FILTON* | from PRINT EDITION

Three-dimensional printing from digital designs will transform manufacturing and allow more people to start making things



FILTON, just outside Bristol, is where Britain's fleet of Concorde supersonic airliners was built. In a building near a wind tunnel on the same sprawling site, something even more remarkable is being created. Little by little a machine is "printing" a complex titanium landing-gear bracket, about the size of a shoe, which normally would have to be laboriously hewn from a solid block of metal. Brackets are only the beginning. The researchers at Filton have a much bigger ambition: to print the entire wing of an airliner.

Far-fetched as this may seem, many other people are using three-dimensional printing technology to create similarly remarkable things. These include medical implants, jewellery, football boots designed for individual feet, lampshades, racing-car parts, solid-state batteries and customised mobile phones. Some are even making mechanical devices. At the Massachusetts Institute of Technology (MIT), Peter Schmitt, a PhD student, has been printing something that resembles

the workings of a grandfather clock. It took him a few attempts to get right, but eventually he removed the plastic clock from a 3D printer, hung it on the wall and pulled down the counterweight. It started ticking.

Engineers and designers have been using 3D printers for more than a decade, but mostly to make prototypes quickly and cheaply before they embark on the expensive business of tooling up a factory to produce the real thing. As 3D printers have become more capable and able to work with a broader range of materials, including production-grade plastics and metals, the machines are increasingly being used to make final products too. More than 20% of the output of 3D printers is now final products rather than prototypes, according to Terry Wohlers, who runs a research firm specialising in the field. He predicts that this will rise to 50% by 2020.

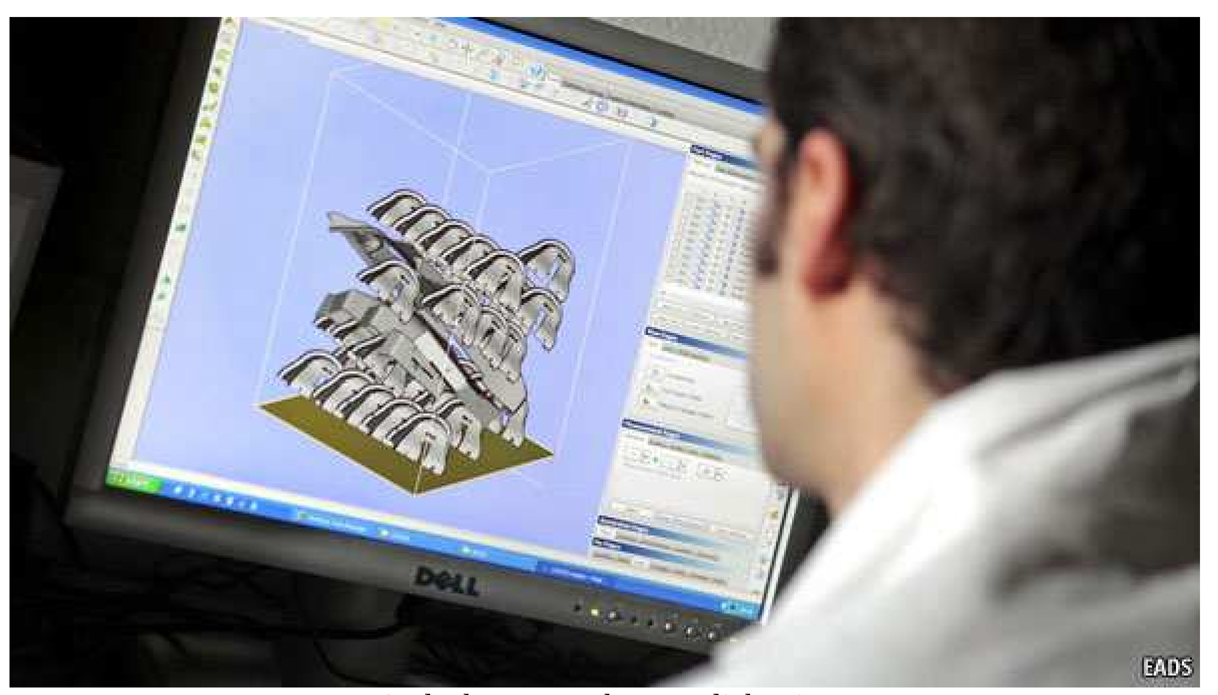
Using 3D printers as production tools has become known in industry as "additive" manufacturing (as opposed to the old, "subtractive" business of cutting, drilling and bashing metal). The additive process requires less raw material and, because software drives 3D printers, each item can be made differently without costly retooling. The printers can also produce ready-made objects that require less assembly and things that traditional methods would struggle with-such as the glove pictured above, made by Within Technologies, a London company. It can be printed in nylon, stainless steel or titanium.

Click to manufacture

The printing of parts and products has the potential to transform manufacturing because it lowers the costs and risks. No longer does a producer have to make thousands, or hundreds of thousands, of items to recover his fixed costs. In a world where economies of scale do not matter any more, mass-manufacturing identical items may not be necessary or appropriate, especially as 3D printing allows for a great deal of customisation. Indeed, in the future some see consumers downloading products as they do digital music and printing them out at home, or at a local 3D production centre, having tweaked the designs to their own tastes. That is probably a faraway dream. Nevertheless, a new industrial revolution may be on the way.

Printing in 3D may seem bizarre. In fact it is similar to clicking on the print button on a computer screen and sending a digital file, say a letter, to an inkjet printer. The difference is that the "ink" in a 3D printer is a material which is deposited in successive, thin layers until a solid object emerges.

The layers are defined by software that takes a series of digital slices through a computer-aided design. Descriptions of the slices are then sent to the 3D printer to construct the respective layers. They are then put together in a number of ways. Powder can be spread onto a tray and then solidified in the required pattern with a squirt of a liquid binder or by sintering it with a laser or an electron beam. Some machines deposit filaments of molten plastic. However it is achieved, after each layer is complete the build tray is lowered by a fraction of a millimetre and the next layer is added.



And when you're happy, click print

The researchers at Filton began using 3D printers to produce prototype parts for wind-tunnel testing. The group is part of EADS Innovation Works, the research arm of EADS, a European defence and aerospace group best known for building Airbuses. Prototype parts tend to be very expensive to make as one-offs by conventional means. Because their 3D printers could do the job more efficiently, the researchers' thoughts turned to manufacturing components directly.

Aircraft-makers have already replaced a lot of the metal in the structure of planes with lightweight carbon-fibre composites. But even a small airliner still contains several tonnes of costly aerospace-grade titanium. These parts have usually been machined from solid billets, which can result in 90% of the material being cut away. This swarf is no longer of any use for making aircraft.

To make the same part with additive manufacturing, EADS starts with a titanium powder. The firm's 3D printers spread a layer about 20-30 microns (0.02-0.03mm) thick onto a tray where it is fused by lasers or an electron beam. Any surplus powder can be reused. Some objects may need a little machining to finish, but they still require only 10% of the raw material that would otherwise be needed. Moreover, the process uses less energy than a conventional factory. It is sometimes faster, too.

There are other important benefits. Most metal and plastic parts are designed to be manufactured, which means they can be clunky and contain material surplus to the part's function but necessary for making it. This is not true of 3D printing. "You only put material where you need to have material," says Andy Hawkins, lead engineer on the EADS project. The parts his team is making are more svelte, even elegant. This is because without manufacturing constraints they can be better optimised for their purpose. Compared with a machined part, the printed one is some 60% lighter but still as sturdy.

Form follows function

Lightness is critical in making aircraft. A reduction of 1kg in the weight of an airliner will save around $3,000-worth of fuel a year and by the same token cut carbon-dioxide emissions. Additive manufacturing could thus help build greener aircraft-especially if all the 1,000 or so titanium parts in an airliner can be printed. Although the size of printable parts is limited for now by the size of 3D printers, the EADS group believes that bigger systems are possible, including one that could fit on the 35-metre-long gantry used to build composite airliner wings. This would allow titanium components to be printed directly onto the structure of the wing.

Many believe that the enhanced performance of additively manufactured items will be the most important factor in driving the technology forward. It certainly is for MIT's Mr Schmitt, whose interest lies in "original machines". These are devices not constructed from a collection of prefabricated parts, but created in a form that flows from the intention of the design. If that sounds a bit arty, it is: Mr Schmitt is a former art student from Germany who used to cadge time on factory lathes and milling machines to make mechanised sculptures. He is now working on novel servo mechanisms, the basic building blocks for robots. Custom-made servos cost many times the price of off-the-shelf ones. Mr Schmitt says it should be possible for a robot builder to specify what a servo needs to do, rather than how it needs to be made, and send that information to a 3D printer, and for the machine's software to know how to produce it at a low cost. "This makes manufacturing more accessible," says Mr Schmitt.

The idea of the 3D printer determining the form of the items it produces intrigues Neri Oxman, an architect and designer who heads a research group examining new ways to make things at MIT's Media Lab. She is building a printer to explore how new designs could be produced. Dr Oxman believes the design and construction of objects could be transformed using principles inspired by nature, resulting in shapes that are impossible to build without additive manufacturing. She has made items from sculpture to body armour and is even looking at buildings, erected with computer-guided nozzles that deposit successive layers of concrete.

Some 3D systems allow the properties and internal structure of the material being printed to be varied. This year, for instance, Within Technologies expects to begin offering titanium medical implants with features that resemble bone. The company's femur implant is dense where stiffness and strength is required, but it also has strong lattice structures which would encourage the growth of bone onto the implant. Such implants are more likely to stay put than conventional ones.

Working at such a fine level of internal detail allows the stiffness and flexibility of an object to be determined at any point, says Siavash Mahdavi, the chief executive of Within Technologies. Dr Mahdavi is working on other lattice structures, including aerodynamic body parts for racing cars and special insoles for a firm that hopes to make the world's most comfortable stiletto-heeled shoes.

Digital Forming, a related company (where Dr Mahdavi is chief technology officer), uses 3D design software to help consumers customise mass-produced products. For example, it is offering a service to mobile-phone companies in which subscribers can go online to change the shape, colour and other features of the case of their new phone. The software keeps the user within the bounds of the achievable. Once the design is submitted the casing is printed. Lisa Harouni, the company's managing director, says the process could be applied to almost any consumer product, from jewellery to furniture. "I don't have any doubt that this technology will change the way we manufacture things," she says.

Other services allow individuals to upload their own designs and have them printed. Shapeways, a New York-based firm spun out of Philips, a Dutch electronics company, last year, offers personalised 3D production, or "mass customisation", as Peter Weijmarshausen, its chief executive, describes it. Shapeways prints more than 10,000 unique products every month from materials that range from stainless steel to glass, plastics and sandstone. Customers include individuals and shopkeepers, many ordering jewellery, gifts and gadgets to sell in their stores.

EOS, a German supplier of laser-sintering 3D printers, says they are already being used to make plastic and metal production parts by carmakers, aerospace firms and consumer-products companies. And by dentists: up to 450 dental crowns, each tailored for an individual patient, can be manufactured in one go in a day by a single machine, says EOS. Some craft producers of crowns would do well to manage a dozen a day. As an engineering exercise, EOS also printed the parts for a violin using a high-performance industrial polymer, had it assembled by a professional violin-maker and played by a concert violinist.

Both EOS and Stratasys, a company based in Minneapolis which makes 3D printers that employ plastic-deposition technology, use their own machines to print parts that are, in turn, used to build more printers. Stratasys is even trying to print a car, or at least the body of one, for Kor Ecologic, a company in Winnipeg, whose boss, Jim Kor, is developing an electric-hybrid vehicle called Urbee.



Jim Kor's printed the model. Next, the car

Making low-volume, high-value and customised components is all very well, but could additive manufacturing really compete with mass-production techniques that have been honed for over a century? Established techniques are unlikely to be swept away, but it is already clear that the factories of the future will have 3D printers working alongside milling machines, presses, foundries and plastic injection-moulding equipment, and taking on an increasing amount of the work done by those machines.

Morris Technologies, based in Cincinnati, was one of the first companies to invest heavily in additive manufacturing for the engineering and production services it offers to companies. Its first intention was to make prototypes quickly, but by 2007 the company says it realised "a new industry was being born" and so it set up another firm, Rapid Quality Manufacturing, to concentrate on the additive manufacturing of higher volumes of production parts. It says many small and medium-sized components can be turned from computer designs into production-quality metal parts in hours or days, against days or weeks using traditional processes. And the printers can build unattended, 24 hours a day.

Neil Hopkinson has no doubts that 3D printing will compete with mass manufacturing in many areas. His team at Loughborough University has invented a high-speed sintering system. It uses inkjet print-heads to deposit infra-red-absorbing ink on layers of polymer powder which are fused into solid shapes with infra-red heating. Among other projects, the group is examining the potential for making plastic buckles for Burton Snowboards, a leading American producer of winter-sports equipment. Such items are typically produced by plastic injection-moulding. Dr Hopkinson says his process can make them for ten pence (16 cents) each, which is highly competitive with injection-moulding. Moreover, the designs could easily be changed without Burton incurring high retooling costs.

Predicting how quickly additive manufacturing will be taken up by industry is difficult, adds Dr Hopkinson. That is not necessarily because of the conservative nature of manufacturers, but rather because some processes have already moved surprisingly fast. Only a few years ago making decorative lampshades with 3D printers seemed to be a highly unlikely business, but it has become an industry with many competing firms and sales volumes in the thousands.

Dr Hopkinson thinks Loughborough's process is already competitive with injection-moulding at production runs of around 1,000 items. With further development he expects that within five years it would be competitive in runs of tens if not hundreds of thousands. Once 3D printing machines are able to crank out products in such numbers, then more manufacturers will look to adopt the technology.

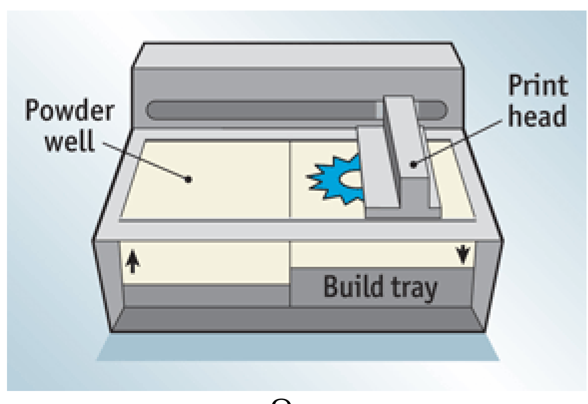
Will Sillar of Legerwood, a British firm of consultants, expects to see the emergence of what he calls the "digital production plant": firms will no longer need so much capital tied up in tooling costs, work-in-progress and raw materials, he says. Moreover, the time to take a digital design from concept to production will drop, he believes, by as much as 50-80%. The ability to overcome production constraints and make new things will combine with improvements to the technology and greater mechanisation to make 3D printing more mainstream. "The market will come to the technology," Mr Sillar says.

Some in the industry believe that the effect of 3D printing on manufacturing will be analogous to that of the inkjet printer on document printing. The written word became the printed word with the invention of movable-type printing by Johannes Gutenberg in the 15th century. Printing presses became like mass-production machines, highly efficient at printing lots of copies of the same thing but not individual documents. The inkjet printer made that a lot easier, cheaper and more personal. Inkjet devices now perform a multitude of printing roles, from books on demand to labels and photographs, even though traditional presses still roll for large runs of books, newspapers and so on.

A customised future

How would this translate to manufacturing? Most obviously, it changes the economics of making customised components. If a company needs a specialised part, it may find it cheaper and quicker to have the part printed locally or even to print its own than to order one from a supplier a long way away. This is more likely when rapid design changes are needed.

Printing in 3D is not the preserve of the West: Chinese companies are adopting the technology too. Yet you might infer that some manufacturing will return to the West from cheap centres of production in China and elsewhere. This possibility was on the agenda of a conference organised by DHL last year. The threat to the logistics firm's business is clear: why would a company airfreight an urgently needed spare part from abroad when it could print one where it is required?



Our

Perhaps the most exciting aspect of additive manufacturing is that it lowers the cost of entry into the business of making things. Instead of finding the money to set up a factory or asking a mass-producer at home (or in another country) to make something for you, 3D printers will offer a cheaper, less risky route to the market. An entrepreneur could run off one or two samples with a 3D printer to see if his idea works. He could make a few more to see if they sell, and take in design changes that buyers ask for. If things go really well, he could scale up-with conventional mass production or an enormous 3D print run.

This suggests that success in manufacturing will depend less on scale and more on the quality of ideas. Brilliance alone, though, will not be enough. Good ideas can be copied even more rapidly with 3D printing, so battles over intellectual property may become even more intense. It will be easier for imitators as well as innovators to get goods to market fast. Competitive advantages may thus be shorter-lived than ever before. As with past industrial revolutions, the greatest beneficiaries may not be companies but their customers. But whoever gains most, revolution may not be too strong a word.

Exchange mergers

Back for more

Feb 10th 2011 | from PRINT EDITION

Has the global exchange industry lost its marbles again?



DAME CLARA FURSE, a former boss of the London Stock Exchange (LSE), used to say that having her Christmas ruined was an occupational hazard. The British bourse, firmly in the second rank of its industry by size, was subject to three festive-season hostile-takeover bids on the trot between 2004 and 2006, all of which failed. Not every deal fizzled: in that same period much of the global exchange industry, like many liberated former monopolies, went on a consolidation bender.



Everyone talked breathlessly about the critical importance of "24/7 global pools of liquidity", which didn't really mean anything but proved to be an excellent chat-up line. The New York Stock Exchange wooed Euronext, a big Paris-based operator; NASDAQ bought OMX, a Scandinavian firm; Chicago's two big exchanges merged; and in 2007 the LSE itself did a deal, buying Borsa Italiana. The result for shareholders, predictably, was lousy (see chart). Bloomberg's index of

global exchanges remains 42% below its 2007 high (global equities are about a fifth below their peak). The sales and profits of the big exchanges in rich countries have stagnated since, too.

Until late last year the dealmaking had been safely consigned to the annals of shareholder-value destruction. Then, in October, the Singapore Exchange bid for the Australian Securities Exchange (a deal which has yet to close). That was a omen. On February 9th the LSE said it was buying TMX Group, owner of the Toronto stock exchange among other things; and in an echo of the frenzy of yesteryear, later that day Deutsche Borse said it was in talks to buy NYSE-Euronext in a deal that would create the sector's largest firm by market value, worth about $26 billion.

The goodwill from the last round of deals may have been partly written down but the industry's tendency to confuse anodyne descriptions of globalisation with statements of industrial logic remains unimpaired. The Singapore-Australia tie-up was proclaimed under the slogan "Asia Pacific-the heart of global growth". Xavier Rolet, Dame Clara's successor at the LSE, partly couched the deal with TMX in terms of trade ties between Canada and Europe.

The reality is that the exchange business is unusually unglobal. Securities and derivatives are traded, by and large, in long-standing silos, with their own regulations, laws, working hours and critical mass of big, savvy market participants, who may not all be based in the same country but who share the same rules of engagement. Even if practical, the utility of being able to trade everything, everywhere, all the time is not clear.

One justification for the recent spate of deals is that exchanges, which tend to have different suites of products, can cross-sell across an expanded customer base-TMX could offer its derivatives products to the LSE's clients, for instance. But there is no good example of this working yet. Another hope is that sales are boosted by the prestige a deal creates. In combination London and Toronto would count for a big chunk of the world's listings of natural-resources firms-perhaps together they would attract even more new listings. It all sounds a bit feeble, though.

What consolidation definitely does involve is bolting together natural product monopolies. Deutsche Borse is big in trading long-term bund derivatives, for example, while NYSE-Euronext is strong in shorter-term interest-rate contracts. Often these long-standing monopolies are under severe pressure from new, low-cost entrants-which is why sales have been falling in bread-and-butter businesses like cash equities. Joining forces does not in itself realise revenue gains or alter this decline. But it may make it possible to combine the technology and back-office platforms being used by different exchanges, cutting costs. Efficiency savings are the one element of the last round of consolidation that did arrive as promised.

Cost savings are being emphasised again now. The Deutsche Borse and NYSE-Euronext combination should yield annual savings of euro300m ($412m), the two firms say, equivalent to about a fifth of the combined entity's pre-tax profits, while the LSE-TMX deal should produce savings of about 7%. That is respectable, but not big enough to drive an industry renaissance or to justify another round of bidding wars.

What might is a sense that the regulatory, legal and behavioural boundaries that keep financial activity in silos are breaking down. It has happened before: in most countries shares used to be traded on provincial stock exchanges. If anything, however, the transactions this week show just how far away a global capital market is. Both deals have been presented as mergers of equals with laborious governance arrangements to boot. To work, it seems, international tie-ups must still show that national identities will be preserved.

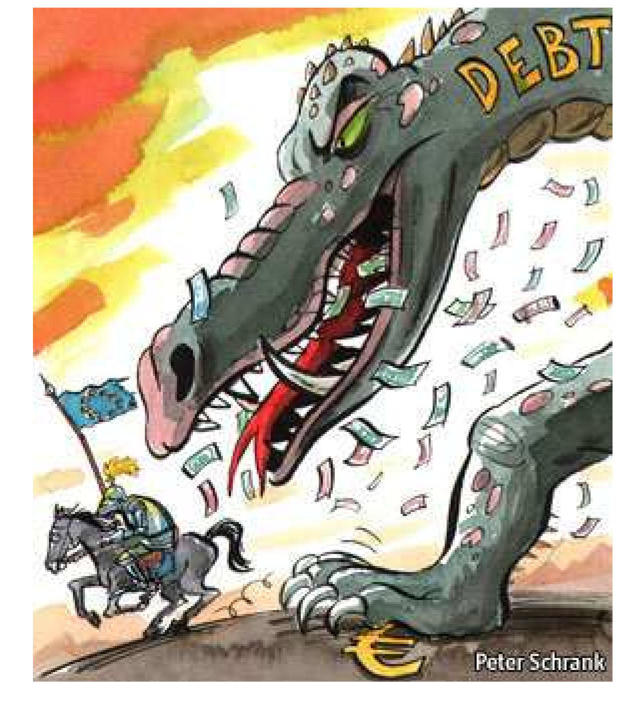
Index | Finance and Economics

The euro area's debt crisis

Hopes raised, punches pulled

Feb 10th 2011 | from PRINT EDITION

European leaders look set to fudge the latest test of their resolve



EVER since the sovereign-debt crisis erupted a year ago bond markets have repeatedly tested the resolve of European leaders to avoid government defaults. On each occasion euro-zone members have done something-but not quite enough to quell the crisis. This year looks like following the same pattern.

In early January investors sold off bonds issued by vulnerable euro-zone countries like Portugal, on the region's periphery, and Belgium, closer to the core. In response Germany, the euro area's reluctant paymaster, put its weight behind another initiative. A "grand bargain", which is due to be struck at a summit in March, is supposed to bolster the support available for rescues. In return the euro zone will embrace more Germanic discipline.

Hopes had been rising that the grand bargain would live up to its name. Spreads of Portuguese and Spanish ten-year government bonds over German benchmark bunds dropped appreciably from their spikes in January. But an inconclusive meeting of European leaders on February 4th has darkened the mood again.

The one concrete reform that looks likely is an increase in the effective size of the rescue funds available to struggling euro-zone states. When these were first unveiled last May, they were said to total euro750 billion ($1 trillion), of which the biggest component was euro440 billion from a new entity, the European Financial Stability Facility (EFSF), whose borrowing is backed by guarantees from euro-area members. The rest would come from the European Union and the IMF.

But once the EFSF was set up it became clear that its effective lending capacity was only around euro250 billion. The shortfall arises mainly because only six of the euro-area states have a AAA credit rating. This means that the facility has to retain big cash reserves in order to achieve the same rating for itself. The EFSF raised euro5 billion in the markets in late January to fund loans to Ireland, for instance, but of this only euro3.6 billion has found its way to the Irish. The March summit will almost certainly increase the bail-out facility to match the original promise of euro440 billion. This could be done by raising the guarantees that back the facility and getting less creditworthy states to pay in capital.

The trouble is that investors increasingly fear the original bail-out sum of euro750 billion will not be enough to douse the fire should it spread from smaller peripheral countries to larger ones like Spain. These fears were fuelled by Ireland's bail-out late last year, which was sparked by the rising cost of recapitalising a bust banking system. Analysts worry that more banking bills may surface elsewhere, straining rescue funds. Willem Buiter, chief economist at Citigroup, has argued that up to euro2 trillion of liquidity support may be needed.

Another disappointment of the February 4th summit was the perception that European leaders seem to be backtracking on plans to enhance the clout of the EFSF. Until now the European Central Bank (ECB) has reluctantly shouldered the job of intervening in markets by buying the bonds of troubled countries. But the summit communique did not include the expected diplomatic codeword ("flexibility") for enabling the EFSF to do more. A less supple EFSF will be less effective. It may also heighten tensions within the ECB: rumours flew this week that Axel Weber, head of the Bundesbank and a critic of the ECB's foray into bond-buying, no longer wants to be a candidate to succeed Jean-Claude Trichet as its president.

Speculation that the EFSF could facilitate a reduction in the debt of countries like Greece through buy-backs has also faded. Under such a scheme the facility would lend funds to the Greek government, which would then purchase its own

debt at supposedly bargain-basement prices. Since these transactions would be voluntary there would be no default and they would be a cheap way of reducing the nominal value of the debt. It is not clear how well the idea would work in practice. Without a big discount to bonds' par value, buy-backs may have only a limited effect on countries' debt burdens. And using scarce EFSF resources for this purpose would reduce the ammunition for dealing with another emergency.



Explore our

Rather than deal with these tricky issues, European leaders concentrated at the summit on the other side of their grand bargain, the reforms Germany wants to prevent future crises. Under a "competitiveness pact", weaker countries will have to overhaul their economies so that they can cope with the rigours of being in the single currency. That will involve reforms in sensitive areas such as retirement ages, corporate tax and wage-indexation. Germany is also keen for countries to forswear budgetary profligacy (for example, by putting "debt brakes" into their constitutions).

Some of these ideas make sense, others less so. Delinking wages from prices would be a good idea. But aligning corporate-tax rates at a high level would make the euro area as a whole less attractive for foreign investors as well as clobbering countries like Ireland that have especially low rates. It is hard to avoid the impression that the desire to remould the euro area in Germany's image is designed above all to mollify German voters.

The bigger flaw in the plan is that it seeks to muddle through the sovereign-debt crisis rather than get on top of it. The unpalatable truth is that government debt in Greece, and probably in Ireland and Portugal too, will have to be restructured. European leaders may yet pull a rabbit out of the hat. But this month's meeting has many worrying that next month's reform package will be woefully inadequate.

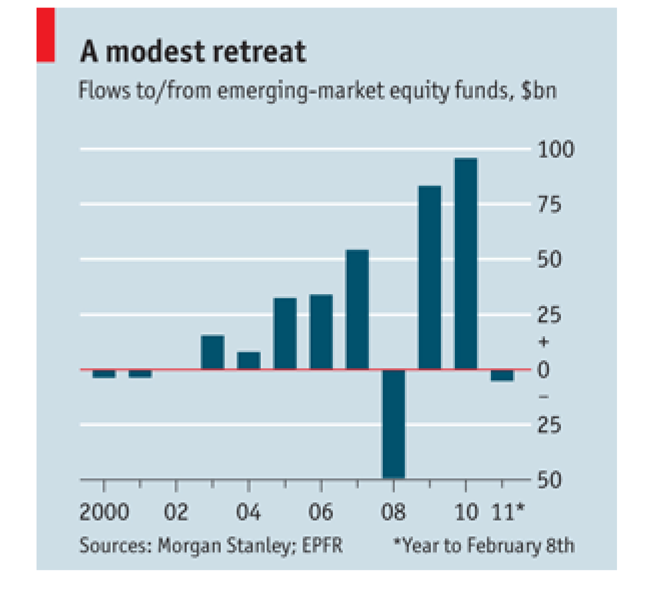
Index | Finance and Economics

Emerging markets

Shifting sands

Feb 10th 2011 | *NEW YORK* | from PRINT EDITION

Investors are worried, but more about inflation than demonstrations



THE turmoil in Egypt marks a turning-point for that country's politics. Might it also be a turning-point for investment in emerging markets? Hungry for yield as the financial crisis abated, investors flocked to emerging markets in the past two years, pushing equity inflows to record levels (see chart). They were handsomely rewarded, with the MSCI Emerging Markets index (MSCI EM) returning 79% in 2009 and 19% in 2010, compared with 31% and 12% for shares globally.

In the week to February 2nd, however, emerging-market equity funds shed $7 billion, or 1% of their total assets, as events boiled over in Cairo. According to EPFR, which tracks such flows, this was the third-largest withdrawal on record, and the first of any size since the crisis. Redemptions from Asia-focused funds (excluding Japan) hit a three-year high. In the past week or so, hedge funds and options traders have dramatically increased their bets against developing countries, says an industry consultant. "Everyone's looking to be better positioned in case the shit hits the fan," says a hedge-fund manager. The outflows continued this week, though at a less dramatic pace.

As a relatively small market, Egypt alone is unlikely to trigger sustained selling. The bigger worry is that unrest spreads through the region, threatening Israel's security or world oil supplies, and thus a fragile global recovery. But even if that does not happen, the upheaval may have given a nudge to investors already on the verge of leaving emerging markets.

One reason to look elsewhere is that Western economies' prospects look sunnier than they did a few months ago. American consumer confidence has rebounded more quickly than expected, for instance. Much of the money that has come out of emerging economies has gone straight into developed markets, in what Michael Hartnett at Bank of America Merrill Lynch has dubbed the "Great Rotation". Rich-world stockmarkets may also be the big beneficiaries of reallocation by fixed-income investors who believe that the bull run in bonds is over, says Nick Smithie of UBS.

Another reason to question emerging markets is rising inflation. This is most visible in the spiralling cost of food: *The Economist*'s commodity food-price index jumped by more than 6% in January. This matters more in emerging economies such as China and India, where food eats up a quarter of consumer spending, than in, say, Europe, where it accounts for half that.

Central banks are reacting to the inflation threat: on February 8th China joined Indonesia, Brazil and India in raising interest rates this year. Expectations of higher rates lures in foreign-exchange traders: a number of Asian currencies reached multi-year highs this week. But equity investors worry that officials will apply the brakes too hard, causing a crunching slowdown and hurting corporate profits. Some fret that policymakers will respond to higher prices not with free-market reforms but with subsidies and price controls, as so often in the past.

These worries predate the ructions in the Arab world. Although significant fund outflows started only in late January, the MSCI EM has lagged behind rich-country indices since last autumn. It is down by 2% this year. How long that underperformance continues will partly depend on whether the recent big outflows mark the start of a sustained retreat, as did the last sudden exodus, in January 2008, or a blip, like the one before that, in March 2007.

Optimists point to emerging markets' much-improved fiscal health (in contrast to that of advanced economies), their maturing infrastructure and their burgeoning middle classes. They say valuation is another reason to keep faith. Emerging-market shares trade at roughly twice book value, near their long-term average and far below the five times book at which Japanese shares peaked in 1989 or the seven times dotcom shares reached in 2000. On a forward price-earnings basis they are slightly below the ten-year average and at a 16% discount to shares in developed markets. This gap does not look too narrow.

Even the optimists are becoming more discerning, though. Shan Lan of Deutsche Bank has noticed a big switch out of broad emerging-market funds into country-specific ones as investors do more homework. Funds focused on China, Indonesia and Turkey have seen net redemptions this year; those dedicated to Russia, a beneficiary of high oil prices, have bulged. Brazil is a more mixed bag: it has attracted net inflows this year but its stockmarket has fallen by more than the emerging-market average. You might even call it decoupling.

Wheat prices

Grim reaping

Feb 10th 2011 | from PRINT EDITION

A lack of rain in China threatens to send wheat prices even higher



Not just China's problem

FEW commodities are impervious to the "China effect"-the upward pressure on prices from rampant demand in the world's bounciest big economy. Coffee is one: few Chinese drink the stuff. Wheat has been another. China is the world's biggest producer, remaining largely self-sufficient by growing some 18% of the global harvest. Higher prices have been caused by growing appetites and supply disruptions elsewhere.

Things could be about to change. On February 8th the UN Food and Agriculture Organisation (FAO) warned that a drought in China's wheat belt could devastate harvests in June. So the country may buy large amounts on global markets. This could be a "game changer" for wheat, says Sudakshina Unnikrishnan of Barclays Capital.

The FAO reported that rain and snowfalls were well below average in eight wheat-growing regions. The local weather bureau claims, a bit implausibly, that if there are no showers soon in Shandong province the drought will be the worst for 200 years. The parching threatens a quarter of the country's crop.

The worst may not happen. As Kisan Gunjal of the FAO points out, the heavens may yet open in the coming months. China's government has pledged to divert water to the stricken areas and provide cash for wells. "Weather modification" teams, which apparently helped to keep the Beijing Olympics rain-free, are turning their hand to seeding clouds with chemical-filled artillery shells to encourage downpours.

China has also built up sizeable wheat stocks-60m tonnes, according to America's Department of Agriculture-since the 2008 food crisis. But it is likely to want to keep these buffers high, particularly after a series of recent disruptions to supply. Drought in Russia, a big supplier, led to an export ban last year. Floods in Australia-linked to the broader La NiÃ±a phenomenon, an occasional wobble in the climate which may also be playing a role in China's drought-have hit the quality of wheat for export.

The International Grains Council estimates world wheat production in 2011 will be 647m tonnes, much lower than in the two years before. If China starts buying, importers may step up efforts to secure wheat and exporters may impose more bans. Dark clouds are gathering, but not the right sort.

Index | Finance and Economics

Influential economists

The contemporary Keynes

Feb 10th 2011 | *Washington, DC* | from PRINT EDITION

Which economist is doing most to shape post-crisis thinking?

DISMAL economies are often dismal for economists. Respected figures find themselves defending discredited theories or justifying why they failed to see trouble coming. But calamity can also clear paths for new ideas. The Depression was the backdrop for the work of John Maynard Keynes. The stagflationary 1970s vindicated Milton Friedman: a generation of liberalisation followed.

Power players

The Economist's guest network poll*

Which economist was most influential over the past decade?		Which economist has the most important ideas in a post-crisis world?	
1	Ben Bernanke	1	Raghuram Rajan
2	John Maynard Keynes	2=	Robert Shiller
3=	Jeffrey Sachs	2=	Kenneth Rogoff
3=	Hyman Minsky	4=	Barry Eichengreen
3=	Paul Krugman	4=	Nouriel Roubini

Source: *The Economist* *Polled Jan-Feb 2011

The Economist asked members of "Economics by invitation", our online forum of more than 50 prominent economists, to nominate colleagues with the most important ideas for a post-crisis world. The respondents came up with nearly 20 different names. None won an absolute majority, but a few cropped up more often than others (see table).

First among them is Raghuram Rajan of the University of Chicago, whose book "Fault Lines" argues that rising inequality led governments to facilitate credit growth, contributing to the crisis. Robert Shiller of Yale University has long warned of the dangers of irrational exuberance, and urges colleagues to consider "animal spirits" in assessing economic fluctuations. Kenneth Rogoff's work on debt bubbles with Carmen Reinhart placed the crisis in an 800-year continuum of borrowing and collapse: his papers have earned the most academic citations of the table-toppers in our poll. Barry Eichengreen has written excellent works on the history of the gold standard and the danger of fixed-exchange-rate regimes. Nouriel Roubini earned the nickname "Dr Doom" for warning of an impending global crash.

This is a tiny sample, of course, and the respect of peers does not always translate into wider influence. Since the beginning of 2009 the provocative Mr Roubini has been mentioned in prominent Western newspapers far more frequently than the rest of our top five. Mr Rajan, our economists' favourite, got the fewest press mentions. Paul Krugman's academic

work earned him a Nobel prize but his *New York Times* column and blog give him greater celebrity than any of the names above him in the poll.

When it comes to real power, however, no one can compete with Ben Bernanke, the chairman of the Federal Reserve. Mr Bernanke handsomely won the vote for the most influential economist of the past decade, beating Keynes into second place, and his policies will fuel research for decades to come.

Index | Finance and Economics

China's shadow-banking system

Trust belt

Feb 10th 2011 | *HONG KONG* | from PRINT EDITION

Trust companies are growing fast, fuelling fears of excessive credit growth

DURING Chinese new year, it is customary to give and receive red envelopes filled with crisp banknotes. (Older people prefer new notes; younger ones are not so fussy.) On February 8th it became a little more attractive to put the cash in the bank, when the People's Bank of China (PBOC) raised its benchmark interest rates by 0.25 percentage points.

A little, but not much. Anyone depositing the contents of their red envelope for a year can now earn 3%. Unfortunately, consumer prices in China are rising by 4.6% a year, leaving depositors with negative real returns. Interest rates have risen by only 0.75 percentage points since mid-2009, even as inflation has soared by over six points. To curb prices, the PBOC has relied instead on other instruments. It has raised reserve requirements seven times since January 2010. It also imposed a quota on new lending, telling banks to add no more than 7.5 trillion yuan ($1.1 trillion) to their loanbooks last year, an increase of 19%.



That quota proved impossible to enforce. Banks made 7.95 trillion yuan of new loans, and even that figure may understate their generosity. Many banks shifted loans off their books into financial products shrink-wrapped by China's "trust companies". These lightly regulated institutions draw money from wealthy people and cash-rich companies, promising better rates of return than banks are allowed to offer. They then lend or invest this money in property, infrastructure, financial instruments or companies, at higher rates than banks typically charge. They sold over 2 trillion yuan-worth of products in 2010 (see chart).

China's banking regulator, the China Banking Regulatory Commission (CBRC), disapproves of the trust companies' dalliance with the banks. In its original form banks would sell loans to trust companies, which would repackage them into

a product the bank could then offer to its favourite depositors. After the CBRC cracked down at the end of 2009, this pas de deux became more of a round dance. A bank might sell a bundle of loans to another bank, say, which would pass them on to a trust company, which would then package them for the first bank to sell.

According to Fitch, a credit-rating agency, 2.5 trillion yuan was sitting off the banks' balance-sheets in trust products at the end of November. The CBRC itself reports a lower figure of 1.6 trillion yuan at the end of 2010. These figures are small compared with China's total loanbook (almost 48 trillion yuan at the end of 2010). But their rapid growth fuels fears of excessive credit.

On January 20th the CBRC told banks they would have to bring these products back on to their balance-sheets by the end of the year. Once on the banks' books, this kind of lending should be easier to control. But if credit cannot flow down one channel, it may find another. In Wenzhou, a city in Zhejiang province famous for its entrepreneurs, over 1,000 unregulated lenders charge rates of 5% or so a month (an annual rate of 80%), according to the *Economic Observer*, a Chinese weekly. In trying to prevent off-balance-sheet lending, regulators may push credit off-off-balance-sheet.

Shadowing China's banks is not the role the country's policymakers envisioned for the trust companies, says Jason Bedford of KPMG, a consultancy. They are supposed to drive innovation and finance parts of China's economy underserved by the banks. They might, for example, lend to a manufacturer that has no collateral other than the receivables it expects to get from its customers.

Repackaging loans identified, priced and managed by the banks is, therefore, a waste of their talents. The margins on this work can be as low as 0.03%. But with enough volume, the profits can add up. Yingda International Trust, for example, earned less than 0.17% in 2009 in fees and commissions on the assets under its care. But since those assets amounted to over 147 billion yuan, it still pocketed over 240m. It was easy money. As easy as taking a crisp banknote from a red envelope.

Index | Finance and Economics

Ending deflation in Japan

An old problem

Feb 10th 2011 | *TOKYO* | from PRINT EDITION

Will it take more than monetary policy to cure Japan's deflationary ills?



Don't just look at it, buy it

JAPAN, one of the great exporting nations, usually runs a trade deficit with, of all places, Switzerland. Why? Ask Rolex. Japan also buys more from France and Italy than it sells there. Why? Bordeaux, Brie, mascarpone and Armani, to name a few expensive vices. In Japan such delicacies are mostly immune to deflation, while prices of everyday goods like cars, electronic goods and clothes tumble. Why then do Japanese firms continue to churn out the latter, even though margins are low? And could this help explain Japan's persistent deflation problem?

These questions preoccupy Kosuke Motani, author of "The Real Face of Deflation". In this book's first seven months in print, 500,000 copies have been sold, including one to Naoto Kan, the prime minister. Mr Motani argues that deflation in Japan is not so much a monetary problem as a structural one linked to bad business decisions and demography.

If Japanese firms produced new types of luxury goods, he believes, they could unleash pent-up demand among Japan's growing, and wealthy, ranks of old people and pay higher wages to Japan's shrinking, and relatively poor, youth. Unsurprisingly, his views have won a sympathetic hearing at the Bank of Japan (BoJ), which has often been accused of failing to do enough to reverse falling prices.

At a news conference on February 7th Masaaki Shirakawa, the BoJ's governor, touched on similar themes. The fundamental cause of deflation, he said, was the protracted downward trend in Japan's underlying GDP growth, caused both by the decrease in the number of workers and declining productivity growth. Monetary easing was important to ease deflationary pressures, but by itself was not enough, he asserted. Businesses needed to bring more old people and women into jobs, to counter the decline in the working-age population. They also needed to go beyond the concept of *monozukuri*-the well-honed skill of making things-to *shikake zukuri*, which he described as the creation of products that attract demand by telling a new story, as Sony once did with the Walkman.

Many will argue that this line is a cop-out. Businessmen quibble that they could better tap fast-growing markets in Asia if the BoJ did more to cheapen the yen. Critical economists such as Koichi Hamada of Yale University argue that if the BoJ put more cash into people's wallets, it would spur domestic demand. Many believe it will take a combination of forces to end deflation in Japan, and one of the biggest dangers is that government agencies, including the central bank, put the onus on others to fix the problem.

There does, however, finally appear to be some joined-up thinking. Mr Shirakawa supports Mr Kan's efforts to raise productivity by promoting free trade. If Japan raises its consumption tax to improve the public finances, the BoJ may be prepared to use accommodative monetary policy to offset fiscal tightening.

Where Mr Shirakawa and Mr Motani most directly see eye to eye is on the need for companies to boost domestic demand by unleashing the latent spending power of the elderly, who sit on the vast majority of Japanese households' Â¥1,500 trillion ($18 trillion) of savings. Mr Shirakawa believes there will be growing demand for health care, nursing, tourism

and leisure. He reckons that a 40% rise in the turnover of fitness clubs in Japan in the past decade is due to increasing health consciousness as people live longer. He says deregulation would increase supply in such fields.

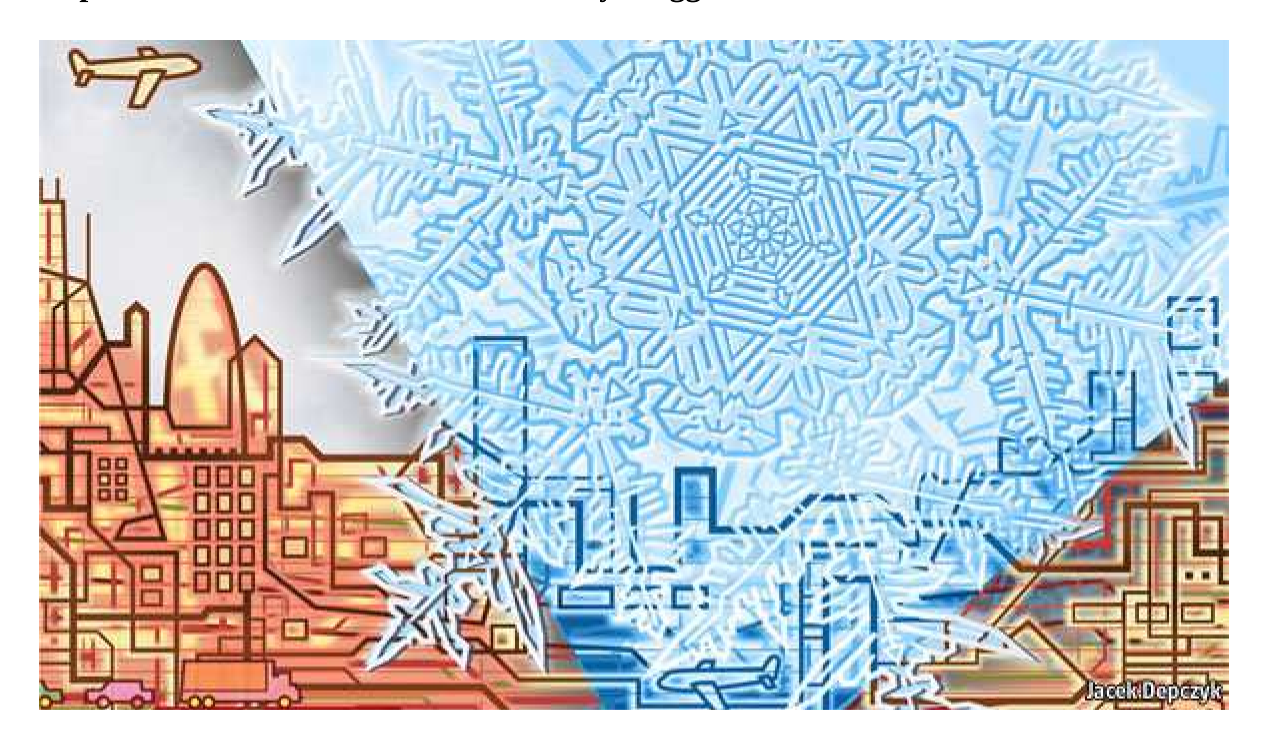
Mr Motani takes a more draconian view. He is fed up with the elderly hoarding their money. He says they do this because of a "King Lear" complex: they feel they will be deserted if they give too much away. And he favours tax reform to encourage them to bequeath their money to their grandchildren, rather than their children. One of the flipsides of longevity, he points out, is that the average age of those who inherit is a grand old 67.

Economics focus

Chilling consequences

Feb 10th 2011 | from PRINT EDITION

The economic impact of bouts of severe weather is easily exaggerated



MUCH of the northern hemisphere has had a miserable winter. Snowstorms shut down many cities and airports across America's east coast this month and last. In Britain and much of continental Europe, the worst of the weather occurred in the week before Christmas. Life there has long since returned to normal: the forecourts of terminals at Heathrow airport no longer resemble tent cities. But the economic effects of the big freeze are still becoming visible in official data.

Germany's statistical office announced on February 8th that in December the country's industrial production shrank by 1.5%, while construction output declined by 24%. It blamed the snow for the slump in construction. January's bad weather was blamed by many analysts for the weak jobs growth reported in the latest non-farm payrolls numbers in America. Britain's statistical agency attributed more or less all of the 0.5% fall in GDP in the last quarter of 2010 to the bad weather in December. Some argue that the consequences of bouts of bad weather are more significant still. The Federation of Small Businesses (FSB), a British trade group, estimated that the economy lost pound1.2 billion ($1.9 billion) for each day of the December freeze. Five severe "snow days", say, would therefore have cost Britain around pound6 billion. That is a substantial sum for an economy whose quarterly output is worth approximately pound330 billion.

It is true that businesses are hurt when they are forced to remain closed and people cannot get into work. Some revenue, like the money spent on coffee by commuters on their way in to work, is simply forgone. After all, people do not buy extra cups when they do eventually return to their offices. And certain industries, such as construction and transportation,

are particularly vulnerable to bursts of bad weather. But numbers like those from the FSB almost certainly overestimate the true economic effect of a day of enforced winter holiday.

The group based its figure on the one-fifth or so of Britain's workers who it reckons did not make it to the office, the factory or the building site during those snowy days in late December. That may be an accurate estimate of snow-induced absenteeism, but it does not mean that a fifth of the pound4.5 billion-5 billion of goods and services that the British economy produces on a typical working day was simply lost. Some people work from home when they cannot get into the office; others make up for lost time when they return. A few days of no production at factories might mean a bout of overtime when things return to normal: German construction output may turn out to have boomed in January because people raced to finish projects delayed by snow. Many purchases are likely to have been postponed rather than abandoned altogether. And if people expect bad weather, they may stock up on essentials in anticipation of shops being closed for a day or two, much as they might before a holiday. In America tempers are guaranteed to fray on the day before a snowstorm is expected, as supermarkets run out of supplies. So it seems reasonable to assume that a good deal of economic activity is displaced, rather than destroyed, by bad weather.

Certain industries see demand for their products go up when severe weather hits. People stuck at home may consume more lighting and heating than if they had headed to work. In Britain, for example, the output of utilities grew by 1.2% in the fourth quarter, as it had done in the first three months of 2010 when the country had its last big encounter with snow. In contrast, the milder final quarter of 2009 saw utilities' output shrink by 2.2%. SnowSports Industries America, a trade group, says that sales of equipment and accessories set a new record in December.

If the net effect on economic activity is unlikely to be as large as bodies like the FSB estimate, are official calculations any closer to the truth? Britain's official estimate of lost fourth-quarter output-half of 1% of quarterly GDP-is roughly half a day's worth of production. Without the December snow, reckon the statisticians, output would have been "flattish". That number is still uncertain but has a firmer basis in fact.

Statistical agencies typically have very little actual data for the last month of the quarter at the time they release their first estimates of quarterly GDP. So in the case of fourth-quarter releases, they usually estimate December's numbers using the data for October and November, making what they hope are appropriate seasonal adjustments. This time Britain's number-crunchers were concerned that their normal methods might lead them astray, since the unusually bad weather was concentrated in the month for which they would normally have little data. So they made a big effort to collect data sooner, to have a clearer idea than usual of what was going on in December. They found that their normal estimation methods-which can be thought of as measuring what would have happened in typical December weather-would have led to a figure 0.5% higher than the eventual, published number. This difference was their rough estimate of the impact of the effect of bad weather.

Snow lasting effect

Even the statistical office's estimate may overstate the eventual cost. Britain's bout of bad weather came at the end of the quarter, so some activity may just have been displaced into the first three months of 2011. In 2010 Britain suffered a freeze in the first quarter, when GDP grew by 0.3%; in the second quarter, GDP bounced by 1.1%. The statistical office did not formally try to calculate the effects of that bout of bad weather. But it reckons that if the severe weather had not occurred the economy would have grown by the same amount over the whole of the first half of 2010, but spread evenly over the two quarters. If this is right, rich-world economies may enjoy a boost after the end of the winter freeze. Think of the "lost" output as a Christmas present that has been delayed-but eventually turns up.

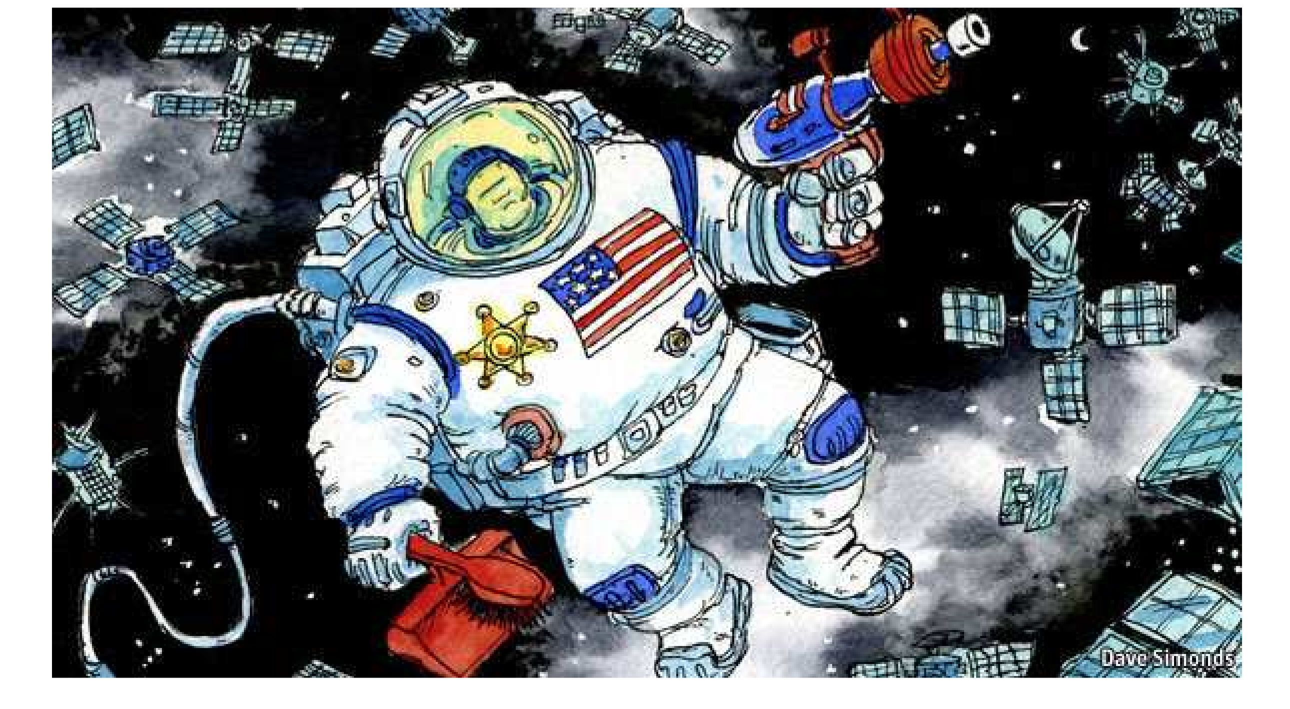
Index | Science & Technology

Security in space

The cluttered frontier

Feb 10th 2011 | from PRINT EDITION

America updates its space-security policy



THE high frontier. The final frontier, even. The metaphor is compelling, and American writers of both fact and fiction have not resisted it. Space is there to be exploited, just as the wide-open lands of the West were in the 19th century. Moreover, there are no pesky Mexicans to be defeated, nor inconvenient native inhabitants to be corralled into reservations before the exploitation can begin. True, there was a rival, in the shape of the Soviet Union. But that imploded two decades ago. They might be coming in peace, for all mankind, but Americans are clear that the development of the new, high, final frontier should be led by them, and no one else.

At least, they used to be. Unfortunately, it has not quite worked out like that. A strategy document* published on February 4th by the country's Department of Defence (DOD) and the Office of the Director of National Intelligence reveals interlopers. Around 60 countries now have satellites orbiting the Earth. Along with those satellites-which number more than 1,000-there are 22,000 man-made objects large enough to track by radar and hundreds of thousands of bits of debris too small to detect. Space is a congested, contested and competitive place, and one in which America is merely first among equals.

America's new national security space strategy-the first the DOD has felt the need to publish-is an attempt to adapt to this reality. Satellites, vital for both military and economic security, face a range of threats, including accidental collisions, anti-satellite missiles, lasers, electronic jamming and even the hacking of their software. On top of that, America has a lot more competition than it used to in the markets for making and launching satellites. A decade ago its share of these industries was double what it is today.

The virtues of modesty

Such competition is inevitable, as space technology spreads and other countries are no longer forced to rely on America's good offices for things like satellite-based global positioning systems. But a more direct threat to America's position comes from the testing of anti-satellite weapons.

In 2007 the Chinese used one of their ageing weather satellites as target practice for a ground-based missile. The test was successful, in that the satellite was destroyed, and America had a minor "*Sputnik* moment" of realisation of the true capabilities of its rival. But the test also had the consequence of creating thousands of pieces of debris that now pose a hazard for other satellites, including Chinese ones.

The new strategy document suggests that, rather than trying to negotiate treaties that outlaw such behaviour, America should lead by example. To an extent, it already has. A year after the Chinese test, America followed suit. It destroyed an errant spy satellite that still had a full load of a toxic propellant called hydrazine, and was in danger of spilling it over an inhabited area when it re-entered the atmosphere.

Unlike the Chinese test, though, the American target was in such a low orbit that any debris would quickly have fallen into the air and burned up. There were claims at the time that this test was intended mainly as a demonstration to the Chinese. If it was, they may have learned a lesson in good neighbourliness, at least. According to Brian Weeden, of a think-tank called the Secure World Foundation, China conducted another anti-satellite test in 2010, and that passed without criticism. The crucial difference was that, like America's test, the second Chinese one did not create any mess.

The strategy document also talks of improving "space situational awareness" which, translated into English, means that America should be willing to share intelligence, if that will help the rest of the world avoid collisions. Along with improvements to the country's system of sensors for detecting objects in orbit, this intelligence might also come from data-sharing agreements with commercial satellite operators and other governments. According to Mr Weeden, such discussions are already happening.

That is a significant change of attitude. In the past, information about orbits was a closely guarded secret. Now, a degree of pragmatism is needed. There is little point in retaining a superior awareness of what is going on in space if this means watching debris build up to the point where your own satellites become unusable.

Another area of politically sensitive change described by the document is export control. It makes sense, of course, not to give your best secrets to your enemies. But it also makes sense not to have controls so onerous that your own companies cannot compete with foreign rivals. Not only does that reduce revenue, it also weakens the incentive to improve technology and lets those foreigners get ahead. And that is what has happened to America in recent years, as its satellite industry has been entangled in Gordian knots of red tape.

Change, though, is afoot-as the strategy document confirms. Peter Marquez, vice-president of strategy at Orbital Sciences Corporation, a private space-launch company, was once the National Security Council's director for space policy. He says both the DOD strategy document and America's broader space policy admit that the country has "a serious problem" with its space industry. Action needs to be taken, he says, to help aerospace companies succeed, both at home and abroad.

That sounds suspiciously like industrial policy. But when the government is an industry's biggest consumer, it is unavoidable. Change is clearly needed, because government procurement practices have turned out to be harmful. As Mr Marquez puts it, "the government typically buys large, expensive space capabilities, which cost a great deal and take a long time to build. Long timelines lead to gaps in coverage, decreased abilities to insert new technologies, attrition in the workforce and a dwindling supply chain." In other words, a vicious circle. The new strategy seeks to replace this with a virtuous circle, buying more specialised spacecraft on a reliable schedule.

But America will also have to recognise it no longer rules the roost. Mr Marquez reckons that American firms will increasingly have to work with foreigners. A new and modest view of space, indeed, from the country that brought you the *Apollo* programme. Globalisation, it seems, is now extraterrestrial, as well.

*"National Security Space Strategy". Joint publication by the Department of Defence and the Office of the Director of National Intelligence

---

Palaeontology

Splay-footed, not flat-footed

Feb 10th 2011 | from PRINT EDITION

A new fossil shows that evolution does not always mean change



Then and now

WHEN a coelacanth, a type of lobe-finned fish once considered the missing link between fish and amphibians, was found off the coast of South Africa in 1938, it came as a shock to palaeontologists. Until then, the most recent traces of such a creature had been in rocks dating from the last days of the dinosaurs, 65m years ago. It was, in its way, as surprising as if a live *Tyrannosaurus* had been found hiding in an obscure part of Montana. Now the same experience is hitting palaeontologists again-but this time in reverse. Instead of finding a "living fossil" identical to an ancient beast, they have found a real fossil identical to a modern one.

The fossil in question, a 100m-year-old specimen from north-east Brazil, belongs to the genus *Schizodactylus*. These are large, carnivorous, cricket-like insects whose feet splay out wildly in different directions. Modern *Schizodactylus* use their feet like snowshoes, to help them remain stable as they travel over sandy terrain in search of prey.

If the new fossil-whose discovery has just been published in *ZooKeys* by Sam Heads of the Illinois Natural History Survey and Lea Leuzinger of the University of Fribourg, in Switzerland-were merely similar to modern splay-footed insects, the find would not be particularly surprising: it simply demonstrates a phenomenon called evolutionary stasis, in which a specific type of body form hangs around for a long time. What is surprising is just how static *Schizodactylus* has been.

Evolutionary stasis is fairly common at the higher levels of the Linnaean system of biological classification (class, order and family). Natural selection hits on a good design. That design is then adopted in slightly different forms by species after species. The shelled bodies of turtles, for example, evolved between 250m and 200m years ago, while the body plans of scorpions have been around for more than 400m years. That does not mean, however, that a zoologist would mistake a 200m-year-old turtle or a 400m-year-old scorpion for any species now alive.

What is remarkable about the new find is that it is so similar to modern animals that it can be assigned to an existing genus-the lowest level of Linnaean classification above a species-rather than just to some higher taxonomic group. That is rare indeed. Even the modern coelacanth, on closer examination, had to be put in a different genus from any known fossil.

Clearly the body plan of *Schizodactylus* is not merely good, but optimal, at least for the environment the animal lives in. Alas for *Schizodactylus*, the sandy deserts it prefers have retreated from north-eastern Brazil and its optimality there has vanished. But its discovery shows better what this part of the world was like 100m years ago-and also illustrates an important point about evolution that is often forgotten in biologists' understandable focus on the development of novelty. The first rule of natural selection is: "If it ain't broke, don't fix it."

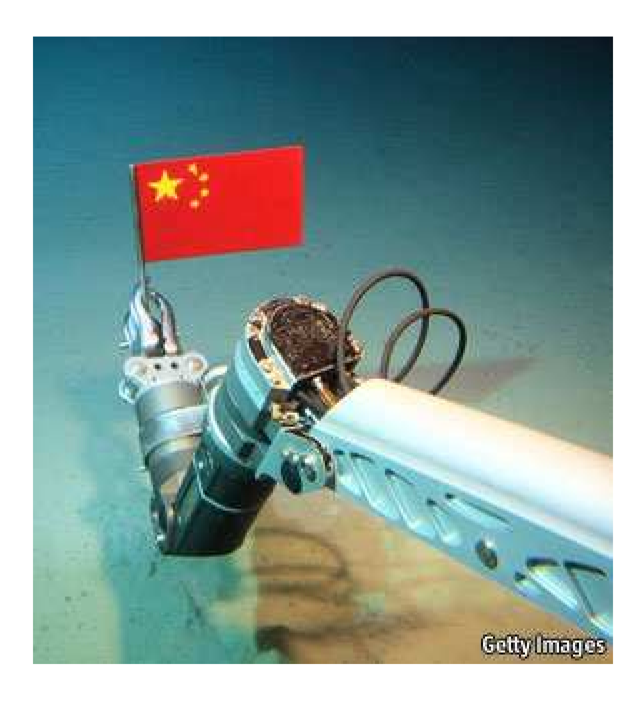
Index | Science & Technology

Oceanography in China

Who rules the waves?

Feb 10th 2011 | *SHANGHAI* | from PRINT EDITION

China's ocean scientists will soon start exploring a controversial patch of sea



IMPERIALISM and oceanography often go hand in hand. The British Admiralty's surveys of the world's coastlines and shallow seas during the 18th and 19th centuries brought a wealth of scientific knowledge. They also did no harm to the ability of British merchantmen to navigate the world-and of British warships to dominate it.

Viewed from that perspective, China's southern neighbours might be slightly nervous about a meeting held in Shanghai on January 26th and 27th, which gathered the country's oceanographers (including several who work abroad) to discuss a project called South China Sea-Deep. As its name suggests, this project is intended to explore the South China Sea, a patch of water with an area of 3.5m square kilometres and a maximum depth of 5.5km that China's government regards (despite competing claims from every other country with littoral waters there) in much the same way that ancient Romans regarded the Mediterranean: *mare nostrum*.

South by Southwest

The scientists in question disclaim any intent to push back frontiers other than those of human understanding. They also say the project's focus is on basic scientific matters rather than a search for things like oil and mineral resources. No doubt that is true-just as it is true that many who sailed under the Admiralty's aegis were motivated by a thirst for pure knowledge. But knowledge is power, and if Chinese scientists are the first to explore the depths of the South China Sea, then Chinese businessmen will be better placed than others to exploit any commercially valuable finding that they make, and the Chinese navy will be better placed to defend them.

South China Sea-Deep is led by Wang Pinxian, of Tongji University in Shanghai, a doyen of the field. To assist him, he will be able to call on the services of *Jiaolong*, China's latest deep-submersible vehicle (pictured, planting a flag), which is designed to dive to a depth of 7km. Last July *Jiaolong* managed 3.8km. The craft's handlers aim to push that to 5km this summer and to the full amount next year.

The project is partly inspired by a study carried out aboard a vessel called *Dayang Yihao* in 2007, of the then little-known Southwest Indian Ridge. This is part of the system of mid-ocean ridges that form as the tectonic plates of the Earth's crust move apart-a process known as sea floor spreading. Among other things, the researchers on board *Dayang Yihao* located rich deposits of copper, lead and zinc, associated with hot springs called hydrothermal vents that are often found near mid-ocean ridges. And when the International Seabed Authority, which looks after such matters, promulgated regulations last May for the exploration of these sorts of deposits, China quickly made an application to do so in the Southwest Indian Ridge.

The South China Sea, too, is thought to be a product of sea floor spreading-though the spreading in question happened between 32m and 16m years ago. And Lin Jian of the Woods Hole Oceanographic Institution, in Massachusetts, one of the leaders of the expedition to the Southwest Indian Ridge, is also running a sub-project intended to study the tectonic

evolution of the area. This should help settle the questions of how the South China Sea came into existence, how much of its floor is basaltic ocean seabed, of the sort spewed out of mid-ocean ridges, and how much is continental rock that simply happens to be below sea level.

The second part of the project, a study of sedimentation and the ancient climate, will follow up Dr Wang's original examination of the area, in 1999, which was part of an international effort called the Ocean Drilling Programme. Despite all the disclaimers, this will be the bit of most interest to the oil and gas industry.

Three large drainage systems, the Mekong, the Red River, and the network that debouches into the Pearl River delta, have carried about 14,000 trillion tonnes of sediment into the South China Sea over the past 30m years or so. That forms traps for oil and gas. It also preserves a huge amount of information about past temperatures, rainfall and sea levels. Jian Zhimin, also of Tongji University, and his colleagues hope to use this information to unravel the evolution of the modern climate-particularly of the Asian monsoon which, by providing enough rainfall for agriculture, keeps much of the continent's population fed.

They will investigate the modern climate directly, too, for the South China Sea's eastern edge is part of an area called the Western Pacific Warm Pool. This has an average temperature of 29ËšC, making it the hottest body of water in the ocean. It is thus an important source of climate-controlling heat and moisture, and is involved in regulating both the monsoon and El NiÃ±o, a weather-altering arm of warm water that reaches intermittently across the Pacific from South America.

Spreading information



The third part of the project will look at the South China Sea's biology-particularly at depth. This will be led by researchers including Jiao Nianzhi, of Xiamen University in Fujian province, and Tian Jiwei, of the Ocean University of China, in Qingdao, Shandong province. They will study the sequestration of carbon by micro-organisms, examine life around the springs and vents of the ocean floor, and make long-term measurements of currents and the exchange of nutrients and plankton between different parts of the South China Sea, and between it and the Pacific.

All this costs money, of course. The budget for South China Sea-Deep is 150m yuan ($22m), to be paid for over the next eight years by the National Natural Science Foundation, a government agency based in Beijing. Nor is this China's only oceanographic enterprise. A deep-sea technology centre in Qingdao will cost 400m yuan and a network of sea floor observatories similar to Canada's Neptune programme and America's Ocean Observatories Initiative will clock up another 1.4 billion yuan. Money well spent, no doubt, in the interests of pure research. Still, it cannot hurt, as Zhang Gongcheng, of the China National Offshore Oil Corporation, observed in his talk at the meeting, that the reserve of natural gas in the South China Sea is estimated at 200 trillion cubic metres. Pure research is all very well. But buttering a few parsnips at the same time can do no harm.

The Richard Casement internship

Feb 10th 2011 | from PRINT EDITION

We invite applications for the 2011 Richard Casement internship. We are looking for a would-be journalist to spend three months of the summer working on the newspaper in London, writing about science and technology. Our aim is more to discover writing talent in a science student or scientist than scientific aptitude in a budding journalist. Applicants should write a letter introducing themselves and an original article of about 600 words that they think would be suitable for publication in the Science and Technology section. They should be prepared to come for an interview in London or New York, at their own expense. A small stipend will be paid to the successful candidate. Applications must reach us by February 25th. These should be sent to: casement2011@economist.com

---

Index | Books & Arts

Urban life

A tale of many cities

Feb 10th 2011 | from PRINT EDITION

An enthusiastic guide to the blessings of human proximity

Triumph of the City: How Our Greatest Invention Makes Us Richer, Smarter, Greener, Healthier and Happier. By Edward Glaeser.*Penguin; 336 pages; $29.95.To be published in Britain by Macmillan in March; pound25.* Buy from Amazon.com, Amazon.co.uk



"THE world isn't flat," writes Edward Glaeser, "it's paved." At any rate, most of the places where people prefer to dwell are paved. More than half of humanity now lives in cities, and every month 5m people move from the countryside to a city somewhere in the developing world.

For Mr Glaeser, a Harvard economist who grew up in Manhattan, this is a happy prospect. He calls cities "our species' greatest invention": proximity makes people more inventive, as bright minds feed off one another; more productive, as scale gives rise to finer degrees of specialisation; and kinder to the planet, as city-dwellers are more likely to go by foot, bus or train than the car-slaves of suburbia and the sticks. He builds a strong case, too, for town-dwelling, drawing on his

own research as well as that of other observers of urban life. And although liberally sprinkled with statistics, "Triumph of the City" is no dry work. Mr Glaeser writes lucidly and spares his readers the equations of his trade. This is popular economics of the best sort.

What makes some cities succeed while others fail? Successful places have in common the ability to attract people and to enable them to collaborate. Yet Mr Glaeser also says they are not like Tolstoy's happy families: those that thrive, thrive in their own ways. Thus Tokyo is a national seat of political and financial power. Singapore embodies a peculiar mix of the free market, state-led industrialisation and paternalism. The well-educated citizenries of Boston, Milan, Minneapolis and New York have found new sources of prosperity when old ones ran out.

Detroit is the book's prime example of decline. In the 19th century it had the right, vibrant combination: educated people and a mass of small businesses. By the late 20th century it was a one-industry town, dominated by three huge companies employing hundreds of thousands of workers with too few skills. Between 1950 and 2008 its population shrank by 58%. It also fell victim to the "edifice complex", the belief that new office blocks, sports arenas and transport systems alone can stop the rot. Other cities, such as Leipzig and Youngstown, Ohio, are held up as examples of cities accepting shrinkage and finding better use for land than empty houses. Detroit now seems to be following.

Mr Glaeser is likely to raise hackles in three areas. The first is urban poverty in the developing world. He can see the misery of a slum in Kolkata, Lagos or Rio de Janeiro as easily as anyone else, but believes that "there's a lot to like about urban poverty" because it beats the rural kind. Cities attract the poor with the promise of a better lot than the countryside offers. About three-quarters of Lagos's people have access to safe drinking water; the Nigerian average is less than 30%. Rural West Bengal's poverty rate is twice Kolkata's.

The second is the height of buildings. Mr Glaeser likes them tall-and it's not just the Manhattanite in him speaking. He likes low-rise neighbourhoods, too, but points out that restrictions on height are also restrictions on the supply of space, which push up the prices of housing and offices. That suits those who own property already, but hurts those who might otherwise move in, and hence perhaps the city as a whole. And tall buildings do not have to be in soulless streets.

So Mr Glaeser wonders, heretically, whether central Paris might have benefited from a few skyscrapers. He certainly believes that his hometown should preserve fewer old buildings. And he thinks that cities in developing countries should build up rather than out. New downtown developments in Mumbai, he says, should rise to at least 40 storeys.

The third, related, area is sprawl, which is promoted, especially in America, by flawed policies nationally and locally. Living out of town may feel green, but it isn't. Americans live too far apart, drive too much and walk too little. The tax-deductibility of mortgage interest encourages people to buy houses rather than rent flats, buy bigger properties rather than smaller ones and therefore to spread out. Minimum plot sizes keep folk out of, say, Marin County, California. He sees it as an indictment of planning that spreading Houston has "done a better job of providing affordable housing than all of the progressive reformers on America's East and West coasts." Mr Glaeser hopes, for the planet's sake, that China and India choose density over sprawl and public transit over the car. If his own country set a better example, there might be more chance of persuading them.

Cities need wise government above all else, and they get it too rarely. That is one reason why, from Paris in 1789 to Cairo in 2011, they are sources of political upheaval as well as economic advance. The reader may wonder if Mumbai really would be better off as a city of high-rise slums rather than low-rise ones. But Mr Glaeser clearly believes that hell isn't other people; heaven's more like it, for all our faults. He's right, and he says it well.

Index | Books & Arts

Becoming a widow

Give warning to the world

Feb 10th 2011 | from PRINT EDITION

Learning to live alone

A Widow's Story: A Memoir. By Joyce Carol Oates. *Ecco; 432 pages; $27.99. To be published in Britain by Fourth Estate in March; pound20.* Buy from Amazon.com, Amazon.co.uk



Her heart laid bare

"WHEN you sign on to be a wife, you are signing on to be a widow one day, possibly," writes Joyce Carol Oates in her new memoir. The implication is unsettling; the reaper will claim us all, yet to live is to pretend otherwise; to love is to imagine forever. Indeed, the objective of life may be to remain ignorant of death for as long as possible. The lesson of loss will come soon enough, and always as a shock.

This grim kick in the teeth is the brunt of "A Widow's Story", Ms Oates's raw account of the months after her husband died three years ago. She and Raymond Smith, a literary editor, were married for nearly 50 years. The book begins as he is hospitalised with pneumonia near their home in Princeton, New Jersey (where Ms Oates teaches writing at the university). A harrowing week-long vigil sees his condition improve, but his status turns critical in the middle of the night. Ms Oates fails to reach him before he dies. "I was not with him, to comfort him, to touch him or hold him," she writes. She can't bear that he died among strangers.

The rest of the book, over three-quarters of it, sees Ms Oates feeling her way through the inky darkness of widowhood. Grief is laced with self-loathing and remorse. Life feels unbearable, absurd. Eating alone has "an element of scorn". From the moment she met her husband in 1960, the two were rarely apart. She was a lonely and ambitious graduate student in English; he an "older man" completing his PhD dissertation on Jonathan Swift. They were engaged a month later, and married soon after. She worries she doesn't know how to live without him. She craves oblivion; would prefer to disappear. Here she quotes Nietzsche: "The thought of suicide can get one through many a long night."

An unnervingly prolific writer, Ms Oates has never before let her gaze linger so strongly on herself. With "A Widow's Story", she makes up for lost time. The book unfolds as a stream of consciousness from a very fragile, intelligent and disturbed woman. This is not a book about her marriage, but about the demons that screech in her ears following its end. (Ms Oates includes fragments of correspondence with friends to help convey her despairing state of mind.) Theirs was a loving union, but also a traditional one, full of reticence and distinct spheres. He never read her fiction, and she shielded him from "anything that was upsetting, depressing, demoralising". Now that he is gone, she is left wondering: did she ever really know her husband? Did she let him know her?

In Ms Oates's hands this desolate thrum is highly readable. But it is a shame that the book is so exclusively about grief as it is felt in the moment-relentlessly, redundantly-with little insight into the decades that came before. It will inevitably be compared with that other recent memoir of widowhood, Joan Didion's "The Year of Magical Thinking". Yet the difference is stark. Where Ms Didion distilled her trauma into an artfully melancholic meditation on symbiosis lost, Ms Oates's book feels more like a hasty act of personal therapy. Readers who learn that she swiftly and happily remarried (a fact unmentioned in this book) may feel some impatience for the quivering woman on the page. "A Widow's Story" is an affecting portrait of anguish, but it might have been a richer story of love and loss.

St Valentine's Day

The heart is a lonely hunter

Feb 10th 2011 | from PRINT EDITION

How to find a mate

Shapely Ankle Preferr'd: A History of the Lonely Hearts Ad. By Francesca Beauman. *Chatto & Windus; 214 pages; pound12.99.* Buy from Amazon.co.uk

IN JULY 1695 a London rag called "A Collection for Improvement of Husbandry and Trade" launched an industry that would make fortunes, break hearts and change relations between the sexes for ever. Flanked by advertisements for an Arabian stallion and a cobbler's apprentice, a short item read: "A Gentleman about 30 Years of Age, that says he had a Very Good Estate, would willingly Match himself to some Good Young Gentlewoman that has a Fortune of pound3,000".

No record survives of the response, if any, to what is thought to be the first lonely-hearts advertisement. But John Houghton, the publisher, quickly spotted the commercial possibilities. Uxorious-minded men could sidestep the marriage market's elaborate and costly etiquette. And outsiders would enjoy the voyeuristic pleasure of watching them do it. It rapidly caught on. By 1710 every one of the 53 newspapers registered in England carried lonely-hearts ads: all from men, mostly in their 20s, and all setting financial conditions for courtship.

Placing an ad (like answering one), carried a certain stigma; well into the 1850s, almost the only ads placed by women were fake ones. By then a standard lexicon had evolved: use of the third person ("Sir John Dineley of Windsor Castle recommends himself...") and key phrases such as "agreeable manners", "domesticated", "letters post paid", and above all, "discretion assured". A hundred years later, that evolved further, with ads for gays, swingers and the now ubiquitous abbreviations; thus a lonely, non-smoking New Yorker might advertise himself as "cuddly male with GSOH, WLTM NS, NY". Few still like to broadcast the fact that their coupledom is thanks to a commercial intermediary.

Humour in the ads is a recent innovation, but parodies of them are plentiful. The young Charlotte Bronte wrote a short story called "Henry Hastings" which poked fun at the young advertiser "desirous of getting his bread easy", who seeks simply "possession of that one great and paramount virtue-that eminent and irresistible charm-C-A-S-H!"

The big shift occurred after the carnage of the first world war and the Spanish flu that followed. Social and economic changes began to give women a voice and choice. With 1.7m more women than men convention went by the board: for the first time women's advertisements outnumbered those placed by men.

Using these ads to illustrate an evolving world is a compelling idea. But the best bits in Francesca Beauman's book are the advertisements themselves: revealing, entertaining and sometimes painfully poignant (such as a self-described "desperately lonely" war widow seeking a mate after the second world war). She also digs up charming incidental anecdotes: a lonely-hearts ad in a Bavarian newspaper brought together the parents of Pope Benedict. Less appealing is the author's own analysis, which is laden with the leaden "dominant patriarchal relationship" prose of academic women's studies. With or without campus jargon, the annoyingly unfair fact is that marriageable men tend to like women who are young, fertile and intellectually unthreatening. The time may come when "Brainy, tough, rich old bag seeks hunky toyboy" arouses more than a snigger. But we are not there yet.

Young adult fiction

From the Cairo slums

Feb 10th 2011 | from PRINT EDITION

Coming of age on the dump

The Glass Collector. By Anna Perera. *Puffin; 304 pages; pound7.99.* Buy from Amazon.co.uk

DOWN the dark alleyways of Cairo, behind the smart hotels, far from the tourists' bustle, piles of rubbish fester. For decades, the *zabbaleen*, the despised garbage people, have collected, sorted, recycled and sold the refuse of Egypt's megalopolis of a capital. They live in distant slums, surrounded by fetid remains, sleeping and eating amid "a forest of tumbling plastic bags and rivers of rotting, stinking filth", far from those whose detritus they collect.

Darting through the screeching chaos of Cairo's traffic is 15-year-old Aaron. Like the rest of the *zabbaleen*, he is one of Egypt's Coptic Christians. His parents are dead and Aaron lives with Hosi, his hateful stepfather, and his thuggish stepbrothers. But Aaron is useful to keep around. He is an expert glass collector, picking through "stinking globs" of rubbish with nimble fingers, safely pulling out the dangerous shards.

Aaron loves glass. He loves the way you can "shape dreams out of red and purple reflections", how the right shade of blue can set your soul at peace, how the light always renders it clean, no matter what foul-smelling wasteland it is pulled from.

But this love of glass is Aaron's downfall. Bewitched by the patter of a perfume merchant, entranced by the pink and gold of these scented flasks, he steals some of the rejected bottles and hides them in the pigpen. His buried treasure is soon discovered. His brutish family, usually happy to enjoy the fruits of his thievery-marmalade and a birthday cake filched from someone's shopping bag-turf him out. Shunned, Aaron is forced to become a medical-waste collector, the lowest and most dangerous job, picking through dirty needles and bloodstained rags.

Anna Perera's book is written for teenagers, but like her previous work, the bestselling "Guantanamo Bay", which was published in 2009, it will charm older readers too. Cairo pulses from its pages, dirty, smelly but intoxicating; "the magic's everywhere". Aaron's neighbours are a colourful bunch; squawking Shareen, so desperate for new clothes, pretty trinkets and a party that she marries a man three times her age; Abe, yearning for someone to buy him a jellyfish on the internet, despite the lack of computer or credit card; and gentle Rachel who tends the ponies and with whom Aaron falls in love.

The book hints at real problems facing the *zabbaleen*; the risk of their being replaced by rubbish trucks; the government's slaughter of their pigs, essential to their livelihood, because of fears of swine flu. But it does so lightly. The tale sparkles like the glass Aaron hoards, light and delicate and full of dreams.

Growing old

Something to embrace

Feb 10th 2011 | from PRINT EDITION

The challenge of the years ahead

How We Age: A Doctor's Journey into the Heart of Growing Old. By Marc Agronin. Da Capo Press; 302 pages; $25 and pound14.99. Buy from Amazon.com, Amazon.co.uk



Leaping lollipop lady

THERE are some scary statistics around about the growing numbers of people that will live to be 100, and about the likelihood of Alzheimer's along the way. Marc Agronin is a geriatric psychiatrist at Miami Jewish Health Systems in Florida. He meets these statistics personally, every day. He would almost certainly-though very gently-dispute the notion that "scary" was the right word.

Mr Agronin is an optimist. He does not deny-how could he?-the sufferings and indignities of old age. Scanning slices of old brain, "stained and prepped for the microscope", his eye is unsparing: "the aged folds" like "the withered meat of a walnut", the blood vessels like "hardened tendrils", the "small plaques of toxic amyloid protein surrounded by a debris field of dead neurons". But alongside the science, he sees something else: the people themselves.

Old age, he says, has become our blind spot, neglected by the medical profession, lumped together with dementia and disease, something to be endured, dreaded, mercifully pre-empted, or even-as one researcher in the field, Aubrey de Grey, argues-reversed. Mr Agronin, by contrast, embraces it. He sees it as intrinsic to life, with its own "ways and meanings", its particular wisdom. Even at its most tenuous and hollowed out, he finds some shape, a sense of cyclic pattern. In an almost mystical passage, inspired by his professor, Erik Erikson, a psychologist, Mr Agronin likens life to a stream which eventually seeps down unseen into the bedrock, and opens "like a flower into the aquifer below".

The book is full of stories: about patients, teachers, family, above all about himself-as someone acutely conscious of generational cycles, pivoted as he is between a beloved doctor grandfather and a small questioning son. Diagnostic uncertainty, error and surprise are a constant theme: the man supposedly eclipsed by Alzheimer's, miraculously restored when an unsuspected brain cyst is removed; the demented, wordless, tongue-clicking woman who bursts into song when the music therapist chances on her wedding tune and the rhythm of her clicks is explained. He points to research showing that old brains can grow new nerve connections, to surveys that indicate happiness peaking at 85, to all the creative potential he has witnessed in the elderly. It's heartwarming, as is the image of 78-year-old Ena Mallett (pictured), by day a lollipop lady, by night a black belt in ju-jitsu. But it's a difficult book to read nonetheless, almost for that very reason. A bleaker narrative lurks between the lines.

It would be wrong to suggest that Mr Agronin's optimism is facile. His hope is an article of faith, wrung from the history of the 20th century. Many of his patients are war veterans and Holocaust survivors. "Doctor, hope for me," they say. It is as though the miracle of their survival has sharpened his sense of the miraculousness of life itself. He describes the Jewish *tahara* ritual, the preparation for burial, when those who wash and enshroud the body take care never to turn their backs on it. Mr Agronin challenges us to do no less for the very old.

Chinese cloisonne

Three colours blue

Feb 10th 2011 | from PRINT EDITION

A controversial new survey of an art made famous by the Chinese



THE lid of the charming, round enamelled metal box (pictured) is decorated with squat, rosy apples. Their colour gradually shifts from red to orange to yellow. This cheerful yet subtle object, less than 7.5cm across, is one of the highlights of a New York exhibition, "Cloisonne: Chinese Enamels from the Yuan, Ming and Qing dynasties". There are 161 pieces: vases and incense burners, shrines, teapots and candlesticks. Many creatures make an appearance, among them an arrogant rooster, a pair of lions and a very annoyed-looking goose. An extravagant basin is enamelled on the interior with swimming fish.

The self-professed aim of the exhibition and its scholarly catalogue is to examine cloisonne production in China, from its emergence in the late Yuan dynasty (1279-1368) to the end of the Qing dynasty (1644-1911). The attribution of the earliest pieces will raise eyebrows. For decades these have been described as early Ming ware, but six works in this show have been labelled as dating from the earlier Yuan dynasty. Fifteen other pieces have also been redated, the result of a collaboration between scholars in China and the curator of this exhibition, Beatrice Quette. Their conclusions are so recent that last-minute revisions to the catalogue delayed its publication.

Not all specialists will be convinced, though. In the catalogue, Ms Quette discusses the general inaccuracy of early Chinese reign marks. This makes it difficult to offer more than a vague dating to the earliest pieces, yet she and her Chinese colleagues are convinced that their reattributions are correct, and she looks forward to the discussions this will provoke.

The Chinese were the first people to make paper, porcelain and pyrotechnics. Cloisonne enamelling as an overall decoration of metal vessels was a relatively late import. It had been used in the West since ancient times, reaching an aesthetic and technical peak in 12th-century Byzantium. European cloisonne is thought to have arrived in China during the Yuan dynasty. Local artisans soon learned the technique themselves, which gave rise to centuries of rich and productive inventiveness.

Chinese cloisonne was made for the delight of emperors, courtiers and scholars. Like luxury goods everywhere it was also used for diplomatic gifts. Those familiar only with the banal 20th-century examples made for the tourist trade are in for a happy surprise. This show is full of colourful, luminous delights. To the visitor for whom the biggest danger is sensory overload, Ms Quette has some useful advice: first zoom in on a detail. Take time; study it. Then step back and consider the

whole object. When considered this way a single Ming wall panel covered with flowers, for example, is not only lovely to look at, but also a technical tour de force.

The French word *cloisons* means partitions. To create cloisonne, a design is drawn on a metal object. Then a band made of a thin metal strip is affixed to it. This creates the small compartments into which a paste of finely ground, coloured glass and water is placed. The piece is then fired at around 700Âº C, turning the glass into enamel and fusing it with the metal. Often the enamel shrinks, and a second application and firing is needed to fill the *cloisons* completely.

Cloisonne is a slow and technically difficult process, which has always made it expensive and highly sought after. Early on, traders, travellers and missionaries came home with the odd piece of Chinese cloisonne. In the second half of the 19th century, large numbers of pieces, including many imperial works, were brought to Europe and America. This was booty seized during the opium wars and then the Boxer uprising of 1900. Exceptional collections were built up as a result. In the 1920s a French financier, David David-Weill, gave 150 pieces he had amassed to the Musee des Arts Decoratifs in Paris. This show has 61 of them, including the lovely little apple-lidded box. Indeed the entire exhibition consists of loans from European and American museums.

The arrival of Chinese cloisonne in Europe also revived Western interest in making similar works. In 1870 or so, James Tissot, a French painter, acquired a Ming *jardiniere*, which had been removed during the sacking of the Summer Palace in Beijing ten years earlier. He then made his own version of it, which is visibly influenced by the Art Nouveau movement. Both works are on view, reunited for the first time since 1902.

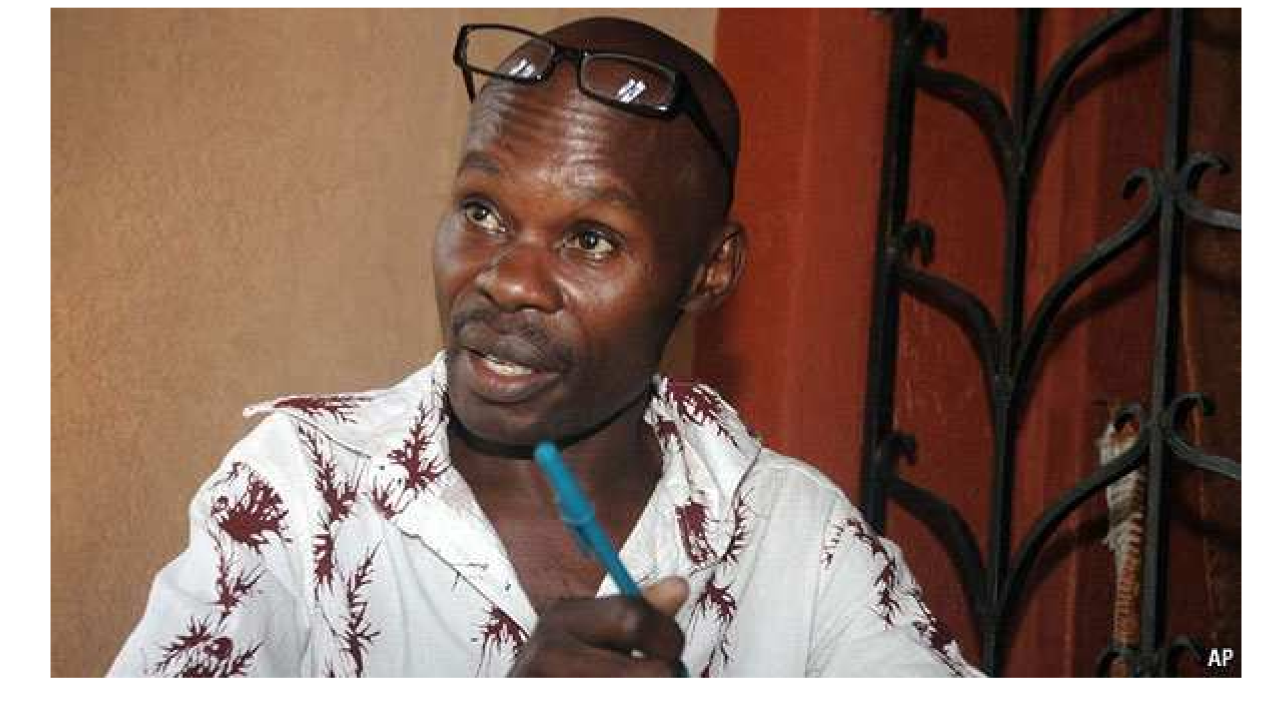
The Western appetite for this Chinese enamelwork continues. Giuseppe Eskenazi, the leading London dealer in Chinese works of art, recalls that when he was paying high prices for Chinese cloisonne at Christie's in Paris in 2007, most of it came from European collections-and the buyers were all still Westerners. Now the Chinese are also competing, especially for imperial, Qing-dynasty pieces, and prices have risen again sharply. Last December a Hong Kong businessman, Joseph Lau, bought a pair of tall, imperial white cloisonne censers each in the shape of two cranes. He paid $16.7m, a world auction record, for them. Mr Eskenazi has a pair of joined Qing-dynasty cloisonne cylinders with imperial markings on the cover of his spring catalogue. He is planning to show them during Asia Week in New York in March, priced at $750,000. Three similar pieces are on view in this show. A display to tempt the senses.

"Cloisonne: Chinese Enamels from the Yuan, Ming and Qing Dynasties" is at the Bard Graduate Centre in New York City until April 17th. Catalogue, Yale University Press, $80 and pound50

David Kato

Feb 10th 2011 | from PRINT EDITION

David Kato Kisule, a gay campaigner in Uganda, died on January 26th, aged 46



TO THE 935 pupils at St Herman Nkoni primary school, on the Masaka-Mbarara road, the slight, bookish-looking, soft-voiced man with the thick-lensed glasses was a pretty good head teacher. But to Uganda's tabloid magazines, such as *Red Pepper* and *Rolling Stone*, he was a monster: a "bum-driller", ever seeking "shaftmates" for "romping sessions". To the sponsors of Uganda's anti-homosexuality bill of 2009, which required witnesses to report homosexual activity within 24 hours, and which proposed the death sentence for repeat offending, he was a deviant and a corrupter of innocent boys. In the sermons of the evangelical Christian pastors who toured round Uganda's towns, he was a dog, a pig, possessed by devils. Even the Anglican priest who conducted his funeral broke off to shout that he was worse than a beast, because animals at least knew the difference between a male and a female.

David Kato was one of a group so tiny, hated and hounded-indeed, illegal-that most Ugandans had never knowingly met one. Gays like him called themselves *kuchus*, meaning "same", as in "same-sex". He was not the same in any way ordinary Ugandans cared to recognise.

His neighbours in Nansana and Mukono, the districts near Kampala where he lived at various times, admitted that he could be generous and kind. He paid for electricity wires to be put up locally, settled people's hospital bills, took drifters in when they were homeless. But this, they told the tabloids, was because he was "filthy loaded" with foreign dime, most of it donated to him for spreading a Western evil in Uganda, and a lot of the money was used as bribes for sexual favours. It was dangerous to get too close to him, because of his love for bums. His cleaning woman (who observed which young men came and went, and who stayed the night) noticed that he was tired on the day he was killed, and put it down to AIDS. A doctor took the false story on: Mr Kato was HIV-positive, and spreading it around, despite the government's campaign to keep AIDS in check. An ex-homosexual called Paul Kagaba claimed that he had been irreparably seduced into evil in Mr Kato's white house with the columns along Villa Road, after a couple of Guinnesses and a takeaway meal. He implied he was one of many.

In Mr Kato's mind there were only two ways to deal with being gay in Uganda. The first was to hide, to seek the dark. This was how he had first encountered the gay scene in Kampala in the late 1990s, after hearing rumours of a night party in some gardens outside the city and deciding he had to gatecrash. The party hosts, suspicious of his eagerness, gave him the wrong address; they did not want him to find this secret, illegal gathering among the trees. When he gave interviews to Western media it was often in dark alleys or deserted bars, face shadowy and close to the camera, or on some red-dirt road out of town, while he kept nervously walking.

Fighting talk

The second way of being gay, however, was to be out and proud. This was what he preferred, despite the risks. In 1998, just back from a few years of teaching in South Africa-where he had seen apartheid fall, and the old anti-sodomy laws with it, and had decided at last to admit his homosexuality-he held a televised press conference to start the push for gay rights in his own country. The police beat him up afterwards, the first of several beatings (he would show the scars on his head, where bottles had been broken on him), and arrested him, the first of three arrests. Not deterred, in 2004 he co-founded Sexual Minorities Uganda to campaign against the anti-homosexuality bill and general prejudice. He was the group's litigation officer, partly because he knew his way round the mazes of the law, but mostly because he was loud,

impatient, demanding, angry (too much so, when the beer got to him), and didn't care that his face was now "Gay Uganda" for the tabloids.

When, last October, *Rolling Stone* ran a front-page article on "homos" recruiting in the schools, promising to expose 100 of them and calling for them to be hanged, Mr Kato was one of three who sued the magazine. He was the only one who went to court to state his case that homosexuals were born, not made, and therefore could not be recruited. He had known he was different as a child growing up in Nakawala, his ancestral village; his twin brother, John, had noticed it too, and simply laughed when, after years, he came out to him.

The new year looked propitious. On January 3rd a judge ruled against *Rolling Stone*; Mr Kato received compensation of 1.5m Ugandan shillings, or $640. It was not much, but it was the principle that mattered. Meanwhile, debate was suspended on the anti-homosexuality bill, partly as a result of world pressure that he had helped to stir.

Young men continued to mill around his house. One of them was a thief well known in the area: a rough part of town, with 15 iron-bar attacks in two months. Police assumed that when Mr Kato was bludgeoned to death with a hammer, on the afternoon of January 26th, he was just another victim in the series. Gay groups blamed the tabloids for incitement. Neighbours, hanging about, noticed with surprise that his blood on the walls looked much the same as theirs.
